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January 19, 2001

**VIA FEDERAL EXPRESS**

Mr. Brian C. McNeil  
Executive Secretary  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

**DOCKET NO. T-03984A-01-0070**

Re: Application and Petition of SNiP Link, LLC  
For Certificate of Public Convenience and Necessity to Provide  
Intrastate Telecommunications Services as an Interexchange Reseller

Dear Mr. McNeil:

Enclosed for filing on behalf of SNiP Link, LLC are an original and ten (10) copies of the above-referenced Application, including Docket Control Center Cover Sheet. I have also enclosed a duplicate copy of this filing. Upon your receipt of this Application, please date-stamp the duplicate copy and return it to the undersigned counsel, in the self-addressed, postage paid envelope provided.

If you have any questions regarding this filing, please do not hesitate to contact me.

Very truly yours,

Michael Engel\*

Enclosures

\*Admitted in New York only.

**FORM B**

**ARIZONA CORPORATION COMMISSION**

**Application and Petition for Certificate of Convenience and Necessity to Provide  
Intrastate Telecommunications Services as An Interexchange Reseller**

Mail original plus 10 copies of completed application to:

Docket Control Center  
Arizona Corporation Commission  
1200 W. Washington St.  
Phoenix, AZ 85007

For Docket Control Only:  
(Place Stamp Here)

If you have current application pending in Arizona as  
an Interexchange reseller, AOS provider, or as the  
provider of other telecommunication services.

**DOCKET NO.**

T-03984A-01-0070

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_

Docket No. \_\_\_\_\_

Type of Service: \_\_\_\_\_

Docket No.: \_\_\_\_\_

Docket No. \_\_\_\_\_

**A. Company and Telecommunications Service Information**

(A-1) The name, address, and telephone number of the applicant (company):

**SNiP Link, LLC**  
**100-A Twinbridge Drive, Pennsauken, New Jersey 08110**  
**(856) 662-8640**

(A-2) If doing business (dba) under a name other than the applicant (company) name listed above, specify:

**Not Applicable.**

(A-3) The name, address, telephone number, and facsimile number of the management contact:

**Joseph Polito, Jr.**  
**100-A Twinbridge Drive, Pennsauken, New Jersey 08110**  
**Phone: (856) 662-8640**  
**Fax: (856) 662-8641**

(A-4) The name, address, and telephone of the attorney, if any, representing the applicant:

**Michael Engel\***  
**KELLEY DRYE & WARREN LLP**  
**1200 Nineteenth Street, N.W., Suite 500, Washington, D.C. 20036**  
**Phone: 202-955-9600**

**\*Admitted in New York only.**

(A-5) What type of legal entity is the applicant?

- ☐ Sole proprietorship
- ☐ Partnership: \_\_limited, \_\_general, \_\_Arizona, \_\_Foreign
- ☒ Limited liability company
- ☐ Corporation: \_\_“S”, \_\_“C”, \_\_non-profit, \_\_Arizona, \_\_Foreign
- ☐ Other, specify

(A-6) Include “Attachment A.” Attachment A must list names of all owners, partners, limited liability company managers, or corporation officers and directors (specify), and indicate percentages of ownership.

- (A-7) 1. Is your company currently reselling telecommunications service in Arizona? If yes, provide the date or the approximate date that you began reselling service in Arizona. **No.**
2. If the answer to 1. is “yes”, identify the types of telecommunications services you resell; whether operator services are provided or resold and whether they are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001(3), a copy of which is attached); the number of customers in Arizona for each type of service; and the total number of intrastate minutes resold in the latest 12 month period for which data are available. Note: The Commission rules require that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators. **Not Applicable.**
3. If the answer to 1. is “no”, when does your company plan to begin reselling service in Arizona?
- SNiP Link, LLC seeks to provide intrastate telecommunications services as an interexchange reseller upon grant of this application.**

(A-8) Include “Attachment B.” Attachment B, your proposed tariff, must include proposed rates and charges for each service to be provided, state the tariff (maximum) rate as well as the price to be charged, and state other terms and conditions, including deposits, that will apply to provision of the service(s) by your company.

The Commission provides pricing flexibility by allowing competitive telecommunications service companies to price their services at levels equal to or below the tariff (maximum) rates. The prices to be charged by the company are filed with the Commission in the form of price lists. See the “Illustrative Tariff/Price List Example” attached. Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (See Rule R14-2-1109(B)(2)). See Rule R14-2-1110 for the procedures to make price list changes that result in rates that are higher than the tariff rate.

(A-9) The geographic market to be served is:

☒ statewide.

☐ other, describe and provide a map depicting the area.

(A-10) List the states in which you currently resell services similar to those you intend to resell in Arizona.

**SNiP Link, LLC currently provides intrastate telecommunications services as an interexchange reseller in New Jersey, Delaware, and Pennsylvania.**

(A-11) Provide the name, address, and telephone number of the company's complaint contact person.

**The customer complaint contact person for SNiP Link, LLC is:**

**Joseph Polito, Jr.**

**100-A Twinbridge Drive, Pennsauken, New Jersey 08110**

**(856) 662-8640**

**Alternatively, customers seeking assistance regarding billing or service-related issues may contact SNiP Link, LLC toll-free, 24 hours per day, 7 days per week at (888) 764-7600.**

(A-12) Provide a list of states in which you have sought authority to resell telecommunications services and in which the state granted the authority with major changes and conditions or did not grant your application for those services. For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide telecommunications services.

**Not Applicable.**

(A-13) Has the company been granted authority to provide or resell telecommunications services in any state where subsequently the authority was revoked? If "yes", provide copies of the State Regulatory Commission's decision revoking its authority. **No.**

(A-14) Has the company been or is the company currently involved in any formal complaint proceedings before any State or Federal regulatory commission? If "yes", in which states is the company involved in proceedings and what is the substance of these complaints. Also, provide copies of commission orders that have resolved any of these complaints. **No.**

(A-15) Has the applicant been involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years? If "yes", in which state has the applicant been involved in investigations and why is the applicant being investigated? **No.**

(A-16) Has the applicant had judgment entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years? If "yes", list the states where judgment or conviction was entered and provide a copy of the court order. **No.**

## B. Technical Information

- (B-1) If your company is a switchless reseller, provide the name of the company or companies whose services you resell and skip to question (B-2). If you are not a switchless reseller, complete the remainder of this section.

**SNiP Link, LLC currently has arrangements to resell interexchange telecommunications services obtained from Worldcom.**

Include "Attachment C." Attachment C should provide the following information: A diagram of the applicant's basic call network used to complete Arizona intrastate telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e., show the access network and call completion network). **Not Applicable.**

Also include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based, indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the applicant's intrastate telecommunications traffic (i.e., provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the applicant's intrastate traffic). **Not Applicable.**

- (B-2) Will your customers be able to access alternative toll service providers or resellers via 1+ or 10XXX access, if your system becomes non-operational?

**Yes. As SNiP Link, LLC will be relying on the capabilities of Worldcom, customers will be able to access alternative toll service providers or resellers via 1+ or 10XXXX access in the event that its system becomes non-operational.**

## C. Financial information

- (C-1) Include "Attachment D." Attachment D **must** include a copy of your Company's balance sheet, income statement, audit report (if audited) and all related notes to these financial statements for the two most recent years your Company has been in business.

- (C-2) If your company does not have financial statements for the two most recent years, please give the date your company began operations. **Not Applicable.**

- (C-3) If the balance sheets you submit do not have retained earnings accounts, please provide this account information on a separate sheet. **Not Applicable.**

- (C-4) If your company is a subsidiary, please provide your Parent Company's financial statements, in addition to your Company's financial statements. **Not Applicable.**

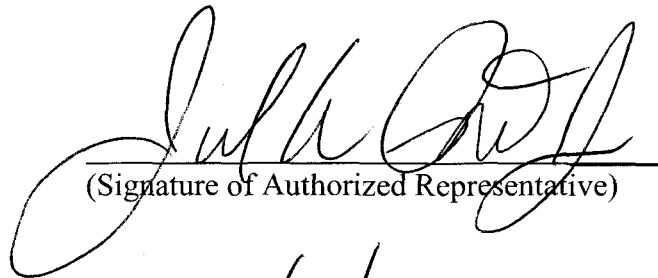
(C-5) If your company intends to rely on the financial resources of its Parent Company, please provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or a business failure and that it will guarantee re-payment of customers; advances, prepayments or deposits held by your Company if, for some reason your Company cannot provide service or repay the deposits. **Not Applicable.**

(C-6) Will your customers be required to (or have the option to) pay advances, prepayments, or deposits for any of your products or services?

YES \_\_\_\_\_ (If yes, provide an explanation of how and when these customer advances, prepayments or deposits will be applied or reference the terms and conditions section of your Company's tariffs with this explanation. If this information is not explained in the tariff of this application, please provide it on a separate sheet.)

NO  X  (Note: If at a later date, your Company decides it wants to offer or require customer advances, prepayments or deposits, it must submit financial statements as part of the tariff amendment process.)

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. I certify that all appropriate city, county and/or State agency approvals have been obtained. Upon signing of this application, I attest that I have read the Commission's rules and regulations relating to the regulations of telecommunications services (A.A.C. Title 14, Chapter 2, Article 11) and that the company will abide by Arizona State Law including Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.

  
(Signature of Authorized Representative)

1/5/01  
(Date)

**Joseph Polito, Jr.**

\_\_\_\_\_  
(Print Name of Authorized Representative)

**Director of Telecommunications Sales**

\_\_\_\_\_  
(Title)

SUBSCRIBED AND SWORN to before me this 5<sup>th</sup> day of January, 2001.

  
NOTARY PUBLIC

My Commission Expires 12/26/2005

**JOEL STAIMAN**  
My Commission Expires Dec 26, 2005  
State of New Jersey

# **ATTACHMENT A**

## **LIST OF MEMBERS**



### **SNiP Link, LLC: List of Officers**

Anthony Abate	President, Chief Technical Office	26.31%
Peter M. Cava, Jr.	Chief Executive Office, Vice President of Sales & Marketing	26.31%
Philip Abate	Vice President of Business Facilities	26.31%
Ira Riklis		16.04%
Joseph J. Giacomelli	Director of Customer Support	02.52%
Marc B. Liebowitz	Director of Network Operation	02.52%
Joseph A. Polito, Jr.	Director of Telecommunications Sales	00.00%
John J. West	Controller	00.00%

**ATTACHMENT B**

**PROPOSED TARIFF**

**SNiP Link, LLC**

**100-A Twinbridge Drive**

**Pennsauken, NJ 08110**

**TOLL SERVICES RESELLER TARIFF**

Rules and regulations applicable for furnishing of Intrastate Interexchange Services by SNiP Link, LLC between one or more points in the State of Arizona as authorized by the Arizona Corporation Commission. This tariff is on file with the Arizona Corporation Commission and may be inspected during regular business hours. Copies also may be inspected during regular business hours at SNiP Link, LLC's principal place of business, 100-A Twinbridge Drive, Pennsauken, NJ 08110.

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Issued: \_\_\_\_\_

Issued by: Joseph Polito, Jr.  
Director of Telecommunications Sales  
SNiP Link, LLC  
100-A Twinbridge Drive  
Pennsauken, NJ 08110

Effective: \_\_\_\_\_

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**CHECK SHEET**

Pages 1-44 inclusive of this Tariff are effective as of the date shown. Original and revised pages, as named below, comprise all changes from the original Tariff in effect on the date indicated.

<u>Page</u>	<u>Revision</u>	<u>Page</u>	<u>Revisions</u>
1	Original	29	Original
2	Original	30	Original
3	Original	31	Original
4	Original	32	Original
5	Original	33	Original
6	Original	34	Original
7	Original	35	Original
8	Original	36	Original
9	Original	37	Original
10	Original	38	Original
11	Original	39	Original
12	Original	40	Original
13	Original	41	Original
14	Original	42	Original
15	Original	43	Original
16	Original	44	Original
17	Original		
18	Original		
19	Original		
20	Original		
21	Original		
22	Original		
23	Original		
24	Original		
25	Original		
26	Original		
27	Original		
28	Original		

\* signifies new or revised pages

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**SYMBOLS**

The following are the only symbols used for the purposes indicated below:

- (C) To signify a change
- (D) To signify a rate decrease
- (I) To signify a rate increase

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**TARIFF FORMAT**

- A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages occasionally are added to the tariff. When a new page is added between pages already in effect, a decimal is added to the page number. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4<sup>th</sup> revised Page 14 cancels the 3<sup>rd</sup> revised Page 14. Because of various suspension periods, deferrals, etc. the Commission follows in its tariff approval process, the most current page number on file with the Commission is not always the tariff page in effect.
- C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:
- 2.
  - 2.1.
  - 2.1.1.
  - 2.1.1.A.
  - 2.1.1.A.1.
  - 2.1.1.A.1.(a).
  - 2.1.1.A.1.(a).I.
  - 2.1.1.A.1.(a).I.(i).
  - 2.1.1.A.1.(a).I.3(i).(1).
- D. Check Sheets - When a tariff filing is made with the Commission an updated check sheet accompanies the tariff filing. The check sheet lists the pages contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated on the check sheet by an asterisk(\*). There will be no other symbols used on the check sheet if these are the only changes made to it. The tariff user should refer to the latest check sheet to find out if a particular page is the most current on file with the Commission.

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**SECTION 1. DEFINITIONS**

Authorized User – Any person, firm, corporation or other entity accessing or utilizing the services furnished by the Company to the Customer.

Billed Party – The person or entity responsible for payment of the Company's service. The Billed Party is the Customer associated with the Telephone Number used to place the call, with the following exceptions:

- (a) in the case of a calling card or credit card call, the Billed Party is the holder of the calling card or credit card used by the User; and
- (b) in the case of a collect or third party call, the Billed Party is the person responsible for the local telephone service at the telephone number that agrees to accept charges for the call.

Call – A completed connection between the calling and the called station.

Calling Station – The telephone number from which a call originates.

Called Station – The telephone number called.

Commission – Arizona Corporation Commission.

Common Carrier – A company or entity providing telecommunications services to the public.

Company – SNiP Link, LLC.

Customer – A person, firm, corporation, partnership or other entity, including affiliates or divisions of the Customer, responsible for payment of charges to the Company and compliance with all terms and conditions of this tariff.

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**SECTION 1. DEFINITIONS (Cont'd)**

Day – The period of time from 8:00 a.m. to (but not including) 5:00 p.m., Monday through Friday, as measured by local time at the location from which the call is originated.

Evening – The period of time from 5:00 p.m. to (but not including) 11:00 p.m., Sunday through Friday and any time during a Holiday, as measured by local time at the location from which the call is originated.

Fiber Optic Cable – A thin filament of glass with a protective outer coating through which a light beam carrying communications signals may be transmitted by means of multiple reflections to a receiver, which translates a message.

Holiday – New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

Night/Weekend ("N/Wkd") – The period of time from 11:00 p.m. to (but not including) 8:00 a.m., Monday through Friday, any time on Saturday and all day Sunday, except 5:00 p.m. to (but not including) 11:00 p.m., as measured by local time at the location from which the call is originated.

Prepaid Calling Card – A calling card or other tangible item which (i) contains an Access Number or an access code, (ii) is supplied by the Company or its agent, and (iii) permits a User to use the Company's services up to an amount prepaid to the Company. Calls charged to a prepaid calling card will be debited against the amount the User has prepaid.

Service Order – The written request for network services executed by the Customer and the Company in the format devised by the Company. The signing of a Service Order by the Customer and acceptance by the Company initiates the respective obligations of the parties as set forth therein and pursuant to this tariff, but the duration of the service is calculated from the service commencement date.

User – Customer or any Authorized User.

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**SECTION 2. TERMS AND CONDITIONS**

**2.1 Application of Tariff**

- 2.1.1 This tariff contains the regulations and rates applicable to intrastate long distance services provided by the Company. The Company's services are furnished subject to the availability of facilities and the terms and conditions of this tariff.
- 2.1.2 The rates and regulations contained in this tariff apply only to the services furnished by the Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other Common Carrier for use in accessing the services of the Company.

**2.2. Shortage of Equipment or Facilities**

- 2.2.1 The Company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of lack of facilities, or due to some other cause beyond the Company's control.
- 2.2.2 The furnishing of service under this tariff is subject to the availability in a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.3 Use and Availability of Service**

- 2.3.1 Service is furnished to the User for any lawful purpose. Service shall not be used for any unlawful purpose, nor used in such a manner as to interfere unreasonably with the use of service by any other Users.
- 2.3.2 The use of the Company's services without payment for service or attempting to avoid payment for service by fraudulent means or devices, false or invalid numbers, or false calling or credit cards is prohibited.
- 2.3.3 The Company does not transmit messages pursuant to this tariff, but its services may be used for that purpose.
- 2.3.4 The Company's services may be denied for nonpayment of charges or for other violations of the terms and conditions set forth in this tariff.
- 2.3.5 The Company reserves the right to refuse service to individuals under the age of 18 and may require proof of age prior to initiating service.
- 2.3.6 The use of the Company's services to make calls which might reasonably be expected to frighten, abuse, torment, or harass another is prohibited.
- 2.3.7 Service temporarily may be refused or limited because of system capacity limitations.
- 2.3.8 Service is subject to transmission limitations caused by natural (including atmospheric, geographic or topographic) or artificial conditions adversely affecting transmission.
- 2.3.9 Service to any or all Customers may be temporarily interrupted or curtailed due to equipment modifications, upgrades, relocations, repairs and similar activities necessary for proper or improved operations.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.3 Use and Availability of Service (Cont'd)**

- 2.3.10 Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this tariff, a month is considered to have 30 days.
- 2.3.11 Customers may be required to enter into written Service Orders which shall contain or reference a specific description of the service ordered, the rates to be charged, the duration of the services, and the terms and conditions in the tariff. Customers also will be required to execute any other documents as may be reasonably requested by the Company.
- 2.3.12 At the expiration of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by either party upon 30 days' written notice. Any termination shall not relieve Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the Service Order shall survive such termination.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.4 Liability of the Company**

- 2.4.1 The Company shall not be liable for any delay or failure of performance or equipment due to causes beyond its control, including but not limited to: acts of God, fire, flood, explosion or other catastrophes; any law, order, regulation, direction, action, or request of the United States Government, or of any other government, including state and local governments having or claiming jurisdiction over the Company, or of any department, agency, commission, bureau, corporation, or other instrumentality of any one or more of these federal, state, or local governments, or of any civil or military authority; national emergencies; insurrections; riots; wars; unavailability of rights-of-way or materials; or strikes, lockouts, work stoppages, or other labor difficulties.
- 2.4.2 The Company shall not be liable for (a) any act or omission of any entity furnishing to the Company or to the Company's Customers facilities or equipment used for interconnection with Network Services; or (b) for the acts or omissions of common carriers or warehousemen.
- 2.4.3 The Company shall not be liable for any damages or losses due to the fault or negligence of the Customer or due to the failure or malfunction of Customer-provided equipment or facilities.

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Pennsauken, NJ 08110

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.4 Liability of the Company (Cont'd)**

- 2.4.4 The Company does not guarantee nor make any warranty with respect to installations it provides for use in an explosive atmosphere. The Customer indemnifies and holds the Company harmless from any and all loss, claims, demands, suits, or other action, or any liability whatsoever, whether suffered, made, instituted, or asserted by any other party or person(s), and for any loss, damage, or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the installation, operation, failure to operate, maintenance, removal, presence, condition, location, or use of any installation so provided. The Company reserves the right to require each Customer to sign an agreement acknowledging acceptance of the provisions of this section 2.4.4 as a condition precedent to such installations.
- 2.4.5 The Company is not liable for any defacement of or damage to Customer premises resulting from the furnishing of services or equipment on such Premises or the installation or removal thereof, unless such defacement or damage is caused by gross negligence or willful misconduct of the Company's agents or employees.

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Issued: \_\_\_\_\_

Issued by: Joseph Polito, Jr.  
Director of Telecommunications Sales  
SNiP Link, LLC  
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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.4 Liability of the Company (Cont'd)**

- 2.4.6 The Company shall be indemnified, defended, held harmless by the Customer against any claim, loss or damage arising from Customer's use of services, involving claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.
- 2.4.7 The entire liability for any claim, loss, damage or expense from any cause whatsoever shall in no event exceed sums actually paid Company by Customer for the specific services giving rise to the claim. No action or proceeding against the Company shall be commenced more than one year after the service is rendered. Except in instances of gross negligence or willful misconduct of the Company's agents or employees, the Company shall not be liable for any direct, indirect, consequential, special, actual or punitive damages, or for any lost profits of any kind or nature whatsoever arising out of any defects or any other cause.
- 2.4.8 THE COMPANY MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED EITHER IN FACT OR BY OPERATION OF LAW, STATUTORY OR OTHERWISE, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE, EXCEPT THOSE EXPRESSLY SET FORTH HEREIN.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.5 Notification of Service-Affecting Activities**

2.5.1 The Company will provide the Customer reasonable notification of service-affecting activities that may occur in normal operation of its business. Such activities may include, but are not limited to, equipment or facilities additions, removals or rearrangements and routine preventative maintenance. Generally, such activities are not specific to an individual Customer but affect many Customers' services. No specific advance notification period is applicable to all service activities. The Company will work cooperatively with the Customer to determine the reasonable notification requirements. With some emergency or unplanned service-affecting conditions, such as an outage resulting from cable damage, notification to the customer may not be possible.

**2.6 Provision of Equipment and Facilities**

2.6.1 The Company shall use reasonable efforts to make available services to a Customer on or before a particular date, subject to the provisions of, and compliance by the Customer with, the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing service to any Customer.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.6 Provision of Equipment and Facilities (Cont'd)**

- 2.6.2 The Company shall use reasonable efforts to maintain facilities and equipment that it furnishes to the Customer. The Customer may not, nor may Customer permit others to rearrange, disconnect, remove, attempt to repair, or otherwise interfere with any of the facilities or equipment installed by the Company, except upon the written consent of the Company.
- 2.6.3 The Company may substitute, change or rearrange any equipment or facility at any time and from time to time, but shall not thereby alter the technical parameters of the service provided the Customer.
- 2.6.4 Equipment the Company provides or installs at the Customer Premises for use in connection with the services the Company offers shall not be used for any purpose other than that for which the Company provided it.
- 2.6.5 The Customer shall be responsible for the payment of service charges as set forth herein for visits by the Company's agents or employees to the Premises of the Customer when the service difficulty or trouble report results from the use of equipment or facilities provided by any party other than the Company, including but not limited to the Customer.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.6 Provision of Equipment and Facilities (Cont'd)**

2.6.6 The Company shall not be responsible for the installation, operation, or maintenance of any customer provided communications equipment. Where such equipment is connected to the facilities furnished pursuant to this tariff, the responsibility of the Company shall be limited to the furnishing of facilities offered under this tariff and to the maintenance and operation of such facilities. Subject to this responsibility, the Company shall not be responsible for:

- (a) the transmission of signals by Customer provided equipment or for the quality of, or defects in, such transmission; or
- (b) the reception of signals by Customer provided equipment.

**2.7 Nonroutine Installation**

2.7.1 At the Customer's request, installation and/or maintenance may be performed outside the Company's regular business hours, or in hazardous locations. In such cases, charges based on the cost of the actual labor, material, or other costs incurred by or charged to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional charges may apply.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.8 Ownership of Facilities**

2.8.1 Title to all facilities provided in accordance with this tariff remains in the Company, its agents or contractors.

**2.9 Prohibited Uses**

2.9.1 The services the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all required governmental approvals, authorizations, licenses, consents and permits.

2.9.2 The Company may require applicants for service who intend to use the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offerings complies with relevant laws and Commission regulations, policies, orders, and decisions.

2.9.3 The Company may require a Customer to immediately shut down its transmission of signals if said transmission is causing interference to others.

**2.10 Obligations of the Customer**

2.10.1 The Customer shall be responsible for:

- (a) the payment of all applicable charges pursuant to this tariff;

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.10 Obligations of the Customer (Cont'd)**

**2.10.1 (Cont'd)**

- (b) damage to or loss of the Company's facilities or equipment caused by the acts or omissions of the Customer; or the noncompliance by the Customer with these regulations; or by fire or theft or other casualty on the Customer Premises, unless caused by the gross negligence or willful misconduct of the employees or agents of the Company;
- (c) providing at no charge, as specified from time to time by the Company, any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the Customer Premises, and the level of heating and air conditioning necessary to maintain the proper operating environment on such premises;
- (d) obtaining, maintaining, and otherwise having full responsibility for all rights-of-way and conduits necessary for installation of fiber optic cable and associated equipment used to provide Network Services to the Customer from the cable building entrance or property line to the location of the equipment space described in 2.10.1(c). Any costs associated with obtaining and maintaining the rights-of-way described herein, including the costs of altering the structure to permit installation of the Company-provided facilities, shall be borne entirely by, or may be charged by the Company to, the Customer;

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.10 Obligations of the Customer (Cont'd)**

**2.10.1 (Cont'd)**

- (e) not creating or allowing any liens or other encumbrances to be placed on the Company's equipment or facilities.

**2.11 Claims**

2.11.1 With respect to any service or facility provided by the Company, Customer shall indemnify, defend and hold harmless the Company from and against all claims, actions, damages, liabilities, costs and expenses, including reasonable attorneys' fees for:

- (a) any loss, destruction or damage to property of the Company or any third party, or the death or injury to persons, including, but not limited to, employees or invitees of either party, to the extent caused by or resulting from the negligent or intentional act or omission of the Customer, its employees, agents, representatives or invitees; or
- (b) any claim, loss, damage, expense or liability for infringement of any copyright, patent, trade secret, or any proprietary or intellectual property right of any third party, arising from any act or omission by the Customer, including, without limitation, use of the Company's services and facilities in a manner not contemplated by the agreement between Customer and Company.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.11 Claims (Cont'd)**

- (c) providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous area if, in the Company's opinion, injury or damage to the Company's employees or property might result from installation or maintenance by the Company. The Customer shall be responsible for identifying, monitoring, removing and disposing of any hazardous material (e.g. friable asbestos) prior to any construction or installation work;
- (d) complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses and permits as may be required with respect to, the location of Company facilities and equipment in any Customer premises or the rights-of-way for which Customer is responsible under section 2.10.1(d); and granting or obtaining permission for Company agents or employees to enter the premises of the Customer at any time for the purpose of installing, inspecting, maintaining, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company; and

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.12 Customer Equipment and Channels**

- 2.12.1 A Customer may transmit or receive information or signals via the facilities of the Company.
- 2.12.2 Customer provided terminal equipment on the Customer Premises, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer.
- 2.12.3 The Customer is responsible for ensuring that Customer-provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company-provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company-provided equipment and wiring or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.12 Customer Equipment and Channels (Cont'd)**

2.12.4 Any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing Network Services and the channels, facilities, or equipment of others shall be provided at the Customer's expense.

2.12.5 Network Services may be connected to the services or facilities of other communications carriers only when authorized by, and in accordance with, the terms and conditions of the tariffs of the other communications carriers which are applicable to such connections.

**2.13 Inspections**

2.13.1 Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer is complying with the requirements set forth in section 2.12.3 for the installation, operation, and maintenance of Customer-provided facilities, equipment, and wiring in the connection of Customer-provided facilities and equipment to Company-owned facilities and equipment.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.13 Inspections (Cont'd)**

2.13.2 If the protective requirements for Customer provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten days of receiving this notice, the Customer must take this corrective action and notify the Company of the action taken. If the Customer fails to do this, the Company may take whatever additional action is deemed necessary, including the suspension of service, to protect its facilities, equipment and personnel from harm.

**2.14 Payment Arrangements**

**2.14.1 Payment for Service**

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

**2.14.1.A Taxes**

The Customer is responsible for the payment of any sales, use, gross receipts, excise, access or other local, state and federal taxes, charges or surcharges (however designated) (excluding taxes on the Company's net income) imposed on or based upon the provision, sale or use of Network Services.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.2 Billing and Collection of Charges**

- 2.14.2.A      The Customer is responsible for payment of all charges incurred by the Customer or other users for services and facilities furnished to the Customer by the Company.
- 2.14.2.B      Non-recurring charges are due and payable within 30 days after the date an invoice is mailed to the Customer by the Company.
- 2.14.2.C      The Company shall present invoices for Recurring Charges monthly to the Customer, on or about the first day of the month in which service is provided, and Recurring Charges shall be due and payable within 30 days after the invoice is mailed.
- 2.14.2.D      When service does not begin on the first day of the month, or end on the last day of the month, the charge for the fraction of the month in which service was furnished will be calculated on a pro rata basis. For this purpose, every month is considered to have 30 days.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.2 Billing and Collection of Charges (Cont'd)**

2.14.2.E Billing of the Customer by the Company will begin on the service commencement date, which is the first day following the date on which the Company notifies the Customer that the service or facility is available for use, except that the service commencement date may be postponed by mutual agreement of the parties, or if the service or facility does not conform to standards set forth in this tariff or the Service Order. Billing accrues through and includes the day that the service, circuit, arrangement or component is discontinued.

2.14.2.F If any portion of the payment is not received by the Company on or before the date due, or if any portion of the payment is received by the Company in funds which are not immediately available, then the Customer's account shall be delinquent, and a late payment penalty shall be due to the Company. The due date shall be no earlier than thirty (30) days after the Company's invoice is mailed. The late payment penalty shall be the portion of the payment not received by the date due, multiplied by a late factor. The late factor shall be the lesser of (a) 1.5% of the total monthly bill; or (b) the highest interest rate which may be applied under applicable state law for commercial transactions.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.3 Deposits**

- 2.14.3.A If a Customer cannot demonstrate satisfactory credit by reasonable means appropriate under the circumstances, the Company may require a Customer to make a deposit to be held as a guarantee for the payment of charges. A deposit does not relieve the Customer of the responsibility for the prompt payment of bills on presentation. The deposit will not exceed an amount equal to two twelfths of a Customer's estimated annual billings.
- 2.14.3.B When a service or facility is discontinued, the amount of a deposit, if any, will be applied to the Customer's account and any credit balance remaining will be refunded. Before the service or facility is discontinued, the Company may, at its option, return the deposit or credit it to the Customer's account, but in no case shall the Company retain the deposit of a Customer who has made prompt and satisfactory payments to the Company for a period of twelve consecutive months.
- 2.14.3.C Deposits held will accrue interest at a rate based on the simple average interest rate for new issues of one year treasury bills computed over the one year period ending on the preceding first day of December.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.4 Discontinuance of Service**

- 2.14.4.A      Upon nonpayment of any amounts owing to the Company, the Company may, by giving ten days' prior written notice to the Customer, discontinue or suspend service without incurring any liability.
- 2.14.4.B      Upon violation of any of the other material terms or conditions for furnishing service the Company may, by giving 30 days' prior notice in writing to the Customer, discontinue or suspend service without incurring any liability if such violation continues during that period.
- 2.14.4.C      Upon condemnation of any material portion of the facilities used by the Company to provide service to a Customer or if a casualty renders all or any material portion of such facilities inoperable beyond feasible repair, the Company, by notice to the Customer, may discontinue or suspend service without incurring any liability.
- 2.14.4.D      Upon the Customer's insolvency, assignment for the benefit of creditors, filing for bankruptcy or reorganization, or failing to discharge an involuntary petition within the time permitted by law, the Company may immediately discontinue or suspend service without incurring any liability.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.4 Discontinuance of Service (Cont'd)**

2.14.4.E Upon any governmental prohibition or required alteration of the services to be provided or any violation of an applicable law or regulation, the Company may immediately discontinue service without incurring any liability.

2.14.4.F Upon the Company's discontinuance of service to the Customer under section 2.14.4.A or 2.14.4.B, the Company, in addition to all other remedies that may be available to the Company at law or in equity or under any other provision of this tariff, may declare all future monthly and other charges which would have been payable by the Customer during the remainder of the term for which such services would have otherwise been provided to the Customer to be immediately due and payable (discounted to present value at six percent).

**2.14.5 Cancellation of Application for Service**

2.14.5.A Applications for service are noncancellable unless the Company otherwise agrees. Where the Company permits Customer to cancel an application for service prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.5 Cancellation of Application for Service (Cont'd)**

2.14.5.B Where, prior to cancellation by the Customer, the Company incurs any expenses in installing the service or in preparing to install the service that it otherwise would not have incurred, a charge equal to the costs the Company incurred, less net salvage, shall apply, but in no case shall this charge exceed the sum of the charge for the minimum period of services ordered, including installation charges, and all charges others levy against the Company that would have been chargeable to the Customer had service begun (all discounted to present value at six percent).

2.14.5.C Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, applies. In such cases, the charge will be based on such elements as the cost of the equipment, facilities, and material, the cost of installation, engineering, labor, and supervision, general and administrative expense, other disbursements, depreciation, maintenance, taxes, provision for return on investment, and any other costs associated with the special construction or arrangements.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.14 Payment Arrangements (Cont'd)**

**2.14.6 Changes in Service Requested**

2.14.6.A If the Customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the Customer's installation fee shall be adjusted accordingly.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.15 Contested Charges**

2.15.1 All bills are presumed accurate, and shall be binding on the Customer unless objection is received by the Company no more than fifteen days (15) days after such bills are rendered. In the case of a billing dispute between the Customer and the Company for service furnished to the Customer, which cannot be settled with mutual satisfaction, the Customer may take the following course of action no more than fifteen (15) days after the billing date:

2.15.1.A First, the Customer may request, and the Company will provide, an in-depth review of the disputed amount. (The undisputed portion and subsequent bills must be paid on a timely basis or the service may be subject to disconnection.)

2.15.1.B Second, if there is still a disagreement about the disputed amount after investigation and review by the Company, the Customer may file an appropriate complaint with the Corporation Commission. The address of the Commission is:

1200 West Washington Street, Phoenix, Arizona 85007

2.15.2 Billing inquiries may be directed to the Company toll free at 1-888-764-7600.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.16 Allowances for Interruptions in Service**

2.16.1 Interruptions in service, which are not due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer or the operation or malfunction of the facilities, power or equipment provided by the Customer, will be credited to the Customer as set forth in 2.16.2.A for the part of the service that the interruption affects.

**2.16.2 Credit for Interruptions**

2.16.2.A A credit allowance will be made when an interruption occurs because of a failure of any component furnished by the Company under this tariff. An interruption period begins when the Customer reports a service, facility or circuit to be interrupted and releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative. If the Customer reports a service, facility or circuit to be inoperative but declines to release it for testing and repair, it is considered to be impaired, but not interrupted.

2.16.2.B For calculating credit allowances, every month is considered to have 30 days. A credit allowance is applied on a pro rata basis against the rate, specified hereunder and is dependent upon the length of the interruption. Only those facilities on the interrupted portion of the circuit will receive a credit.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)****2.16 Allowances for Interruptions in Service (Cont'd)****2.16.2 Credit for Interruptions (Cont'd)**

2.16.2.C A credit allowance will be given for interruptions of 15 minutes or more. Credit allowances shall be calculated as follows:

Interruptions of 24 Hours or Less

<u>Length of Interruption</u>	<u>Interruption Period To Be Credited</u>
Less than 15 minutes	None
15 minutes up to but not including 3 hours	1/10 Day
3 hours up to but not including 6 hours	1/5 Day
6 hours up to but not including 9 hours	2/5 Day
9 hours up to but not including 12 hours	3/5 Day
12 hours up to but not including 15 hours	4/5 Day
15 hours up to but not including 24 hours	One Day

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.16 Allowances for Interruptions in Service (Cont'd)**

**2.16.2 Credit for Interruptions (Cont'd)**

Two or more interruptions of 15 minutes or more during any one 24-hour period shall be considered as one interruption.

Interruptions Over 24 Hours and Less Than 72 Hours. Interruptions over 24 hours and less than 72 hours will be credited 1/5 day for each 3-hour period or fraction thereof. No more than one full day's credit will be allowed for any period of 24 hours.

Interruptions Over 72 Hours. Interruptions over 72 hours will be credited 2 days for each full 24-hour period. No more than 30 days credit will be allowed for any one month period.

**2.16.3 Limitations on Allowances**

No credit allowance will be made for:

- (a) interruptions due to the negligence of, or noncompliance with the provisions of this tariff by, the Customer, authorized user, joint user, or other common carrier providing service connected to the service of the Company;

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.16 Allowances for Interruptions in Service (Cont'd)**

**2.16.3 Limitations on Allowances (Cont'd)**

- (b) interruptions due to the negligence of any person other than the Company, including but not limited to the Customer or other common carriers connected to the Company's facilities;
- (c) interruptions due to the failure or malfunction of non-Company equipment;
- (d) interruptions of service during any period in which the Company is not given full and free access to its facilities and equipment for the purpose of investigating and correcting interruptions;
- (e) interruptions of service during a period in which the Customer continues to use the service on an impaired basis;
- (f) interruptions of service during any period when the Customer has released service to the Company for maintenance purposes or for implementation of a Customer order for a change in service arrangements; and
- (g) interruption of service due to circumstances or causes beyond the control of Company.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.16 Allowances for Interruptions in Service (Cont'd)**

**2.16.4 Cancellation For Service Interruption**

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of 8 hours or more or cumulative service credits equaling 16 hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit which has been subject to the outage or cumulative service credits.

**2.17 Cancellation of Service**

If a Customer cancels a Service Order or terminates services before the completion of the term for any reason whatsoever other than a service interruption (as defined in 2.16 above), Customer agrees to pay to Company the following sums which shall become due and owing as of the effective date of the cancellation or termination and be payable within the period set forth in 2.14 all costs, fees and expenses reasonably incurred in connection with 1) all Non-Recurring charges reasonably expended by Company to establish service to Customer, plus 2) any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by Company on behalf of Customer, plus 3) all Recurring Charges specified in the applicable Service Order Tariff for the balance of the then current term.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)****2.18 Transfers and Assignments**

Neither the Company nor the Customer may assign or transfer its rights or duties in connection with the services and facilities provided by the Company without the written consent of the other party, except that the Company may, after receiving approval from the Arizona Corporation Commission, assign its rights and duties (a) to any subsidiary, parent company or affiliate of the Company, (b) pursuant to any sale or transfer of substantially all the assets of the Company, or (c) pursuant to any financing, merger or reorganization of the Company.

**2.19 Notices and Communications**

2.19.1 The Customer shall designate on the Service Order an address to which the Company shall mail or deliver all notices and other communications, except that Customer may also designate a separate address to which the Company's bills for service shall be mailed.

2.19.2 The Company shall designate on the Service Order an address to which the Customer shall mail or deliver all notices and other communications, except that Company may designate a separate address on each bill for service to which the Customer shall mail payment on that bill.

2.19.3 All notices or other communications required to be given pursuant to this tariff will be in writing. Notices and other communications of either party, and all bills mailed by the Company, shall be presumed to have been delivered to the other party on the third business day following placement of the notice, communication or bill with the U.S. Mail or a private delivery service, prepaid and properly addressed, or when actually received or refused by the addressee, whichever occurs first.

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**SECTION 2. TERMS AND CONDITIONS (Cont'd)**

**2.19 Notices and Communications (Cont'd)**

2.19.4 The Company or the Customer shall advise the other party of any changes to the addresses designated for notices, other communications or billing, by following the procedures for giving notice set forth herein.

**2.20 Individual Case Basis (ICB) Arrangements**

2.20.1 Arrangements will be developed on a case-by-case basis in response to a bona fide request from a Customer or prospective Customer to develop a competitive bid for a service offered under this tariff. Rates quoted in response to such competitive requests may be different from those specified for such services in Section 5 of this tariff. ICB rates will be offered to the Customer in writing and on a nondiscriminatory basis.

**2.21 Temporary Promotional Programs**

2.21.1 The Company may establish temporary promotional programs wherein it may waive or reduce non-recurring or recurring charges, to introduce present or potential Customers to a service not previously received by the Customers.

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**SECTION 3. EXPLANATION OF RATES**

The regulations set forth in this section explain how to apply the rate table associated with the various services offerings described in Section 4.

**3.1 Timing of Calls**

- 3.1.1 Billing for calls placed over the Company's underlying carrier's network is based on the duration of the call. Timing begins when the called station is answered, as determined by standard industry methods generally in use for ascertaining answers, including answer supervision hardware by which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. Timing ends when either party hangs up.

**3.2 Computation of Charges**

- 3.2.1 As set forth in Section 4, calls will be billed in increments of either: (i) an initial eighteen (18) second period and additional six (6) second periods; (ii) an initial thirty (30) second period and additional six (6) second periods; (iii) an initial sixty (60) second period and additional thirty (30) second periods; or (iv) an initial one (1) minute period and additional one (1) minute periods.

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**SECTION 4. DESCRIPTIONS OF SERVICES****4.1 1+ Long Distance**

1+ Long Distance Service is a dedicated or switched long distance message telecommunications service provided between points located within the State. Dedicated 1+ Long Distance calls are billed in initial 18 second increments and additional increments of 6 seconds. Switched 1+ Long Distance calls are billed in initial 18 second increments and additional increments of 6 seconds.

**4.2 Toll Free Service**

Toll Free Service is a telecommunications service which allows a caller to place calls to a Customer at no cost to the calling party by dialing a telephone number that is assigned to a Customer Premises and that employs a toll-free area code. Toll free service is billed in initial 18 second increments and additional increments of 6 seconds.

**4.3 Calling Plans****4.3.1 Anytime USA**

The Company offers customers ordering Anytime USA two (2) alternative plans based upon the manner of bill presentment that the customer pre-selects. There is a monthly fee for this plan and no minutes of usage are provided.

**4.3.2 Integrated Services Calling Plan**

The Company offers customers ordering the Integrated Services Calling Plan two (2) alternative plans based upon the manner of bill presentment that the customer pre-selects. There is no monthly fee for this plan and no minutes of usage are provided. Separate Internet access rates of SNiP, Inc. apply in addition to the telecommunications usage rates below. This plan provides customers with a package of switched telecommunications services and Internet access. Customers must subscribe to a qualifying Internet service offered by the Company's Internet provider, SNiP, Inc.

**4.4 Toll Directory Assistance**

Toll Directory Assistance Service provides the Customer with access to telephone number listing information. The Company will provide this service through arrangements with other telecommunications carriers.

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**SECTION 4. DESCRIPTIONS OF SERVICES (Cont'd)****4.5 Toll Operator Services**

Toll Operator Services involve assisting Customers with the placement of long distance telephone calls, including Calling Card Calls, Station-to-Station Calls, and Person-to-Person Calls. The Company will provide this service through arrangements with other telecommunications carriers.

**4.6 Intrastate Calling Card Service**

The Company will provide its Customers with calling cards for the purpose of enabling the customer to access the Company's long distance services from locations other than the Customer's premises.

**4.7 Intrastate Calling Card Directory Assistance Service**

Intrastate Calling Card Directory Assistance Service provides Customers using the Intrastate Calling Card Service with access to telephone number listing information. The Company will provide this service through arrangements with other telecommunications carriers.

**4.8 Conference Calling Service**

Conference Calling Service is an audio service that allows Customers to establish conference calls with individuals located at different sites. Customers may enter into the conference meeting using a pre-assigned conference telephone number.

**4.9 OnNet Service**

OnNet Service is the virtual connection within the State originating from Customer Premises that are connected to the Company's point of presence ("POP") or virtual point of presence ("VPOP") using dedicated access. The Customer must deliver traffic to one of the Company's collocated facilities, using separate arrangements obtained from the Company or a third party. OnNet Service rates apply to all non-local traffic completed through such arrangements. OnNet Service calls are billed in initial 18 second increments and additional increments of 6 seconds.

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**SECTION 5. RATE SCHEDULES****5.1 1+ Long Distance Rates****5.1.1 Dedicated 1+ Long Distance**

\$0.0808 per minute

**5.1.2 Switched 1+ Long Distance**

\$0.1701 per minute

**5.2 Toll Free Service Rates****5.2.1 Switched 1+ Toll Free Service**

\$0.1701 per minute

**5.2.2 Dedicated 1+ Toll Free Service**

\$0.1095 per minute

**5.3 Calling Plans****5.3.1 Anytime USA Rates**

The recurring fee for the Anytime USA plan is \$4.95 per month.

	<u>Switched 1+ Rate</u>	<u>Toll Free Rate</u>
Direct/LEC Billing	\$ 0.1477	\$ 0.1477
Electronic Billing	\$ 0.1477	\$ 0.1477

**5.3.2 Integrated Services Calling Plan**

	<u>Switched 1+ Rate</u>	<u>Toll Free Rate</u>
Direct/LEC Billing	\$ 0.1477	\$ 0.1477
Electronic Billing	\$ 0.1477	\$ 0.1477

**5.4 Toll Directory Assistance**

Per Call: \$0.68

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**SECTION 5. RATE SCHEDULES (Cont'd)****5.5 Toll Operator Services**

Direct Connect/Station-to-Station:	\$0.95
Direct Connect/Person-to-Person:	\$3.70

**5.6 Intrastate Calling Card Service**

Per Call Set-up Charge:	\$0.10
Per Minute Rate:	\$0.20
Per Call Charge for Calling Card Calls Placed from a Payphone:	\$0.40

**5.7 Intrastate Calling Card Directory Assistance**

Per Call:	\$0.95
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**5.8 Conference Calling Service**

Weekday charges apply 12:00 midnight CST Monday through 11:59 p.m. CST Friday.  
Weekend charges apply 12:00 midnight CST Saturday through 11:59 p.m. CST Sunday.

	<u>Weekday Charge</u>	<u>Weekend Charge</u>
Per Call Set-up Charge:	\$3.00	\$3.00
Per Minute Per Bridgeport Rate:	\$0.65	\$0.45

**5.9 OnNet Service Rates**

Between Intrastate LATAs:	\$0.06 per minute
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**SECTION 5. RATE SCHEDULES (Cont'd)****5.10 Volume and Term Discounts**

The following volume and term discounts apply to all telecommunications usage purchased under this tariff. The Company will apply these discounts to the Customer's total monthly bill for services rendered, in the aggregate.

**5.10.1 Term Discounts.**

<u>Term</u>	<u>Discount</u>
One Year:	0%
Two Year:	2%
Three Year:	3%
Five Year:	4%

**5.10.2 Volume Discounts.**

<u>Monthly Recurring Revenue</u>	<u>Discount</u>
No Commitment:	0%
\$100.00 – 499.00	1%
\$500.00 – 999.00	2%
\$1,000.00 – 3,999.00:	3%
\$4,000.00 – 8,499.00:	5%
\$8,500.00 – 12,499.00:	7%
\$12,500.00 +:	9%

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**ATTACHMENT D**

**FINANCIAL INFORMATION**

**SNIP**

**Combined Statement of Operations  
For the Seven Months Ending July 31, 2000**

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Voice Services	\$0.00	\$0.00	\$218.78	\$1,329.26	\$4,987.78	\$13,993.42	\$15,892.89	\$36,422.13
Data Services	351,575.04	334,676.12	358,507.93	369,030.81	461,937.19	432,188.16	419,990.79	2,727,906.04
Refunds	(15,232.38)	(11,574.83)	(16,154.89)	(9,766.59)	(10,144.11)	(12,063.38)	(8,095.38)	(83,031.56)
<b>Total Revenue</b>	<b>336,342.66</b>	<b>323,101.29</b>	<b>342,571.82</b>	<b>360,593.48</b>	<b>456,780.86</b>	<b>434,118.20</b>	<b>427,788.30</b>	<b>2,681,296.61</b>
Payroll	31,116.44	28,870.85	42,978.26	28,891.69	26,782.80	24,755.54	28,707.40	212,102.98
Employee Benefits - In	5,700.58	5,563.26	4,734.11	2,713.42	2,372.45	585.71	3,593.20	25,262.73
Dial-up Lines	75,398.53	74,749.86	76,418.53	79,277.48	62,359.84	37,918.85	23,972.64	430,095.73
Network Loops	22,413.83	21,885.91	30,090.97	31,173.52	32,766.97	38,213.33	34,160.27	210,704.80
Local Toll/LD/800	0.00	0.00	194.09	26,525.70	6,501.88	12,317.33	15,841.67	61,380.67
Depreciation	0.00	0.00	56,354.12	50,119.21	54,013.01	53,984.54	52,872.34	267,343.22
Equipment	0.00	0.00	0.00	4,122.62	0.00	0.00	0.00	70,650.65
CD's & Floppies	1,172.00	5,029.79	198.00	0.00	0.00	0.00	0.00	10,522.41
Books	1,469.88	4,902.29	0.00	0.00	0.00	0.00	0.00	6,372.17
Instructional Sheets	0.00	0.00	0.00	0.00	1,180.03	938.10	0.00	2,118.13
Shipping & Postage	4,000.00	5,004.33	4,495.52	247.25	2,000.00	0.00	1,502.00	17,249.10
Outside Services	0.00	0.00	0.00	0.00	1,125.00	0.00	0.00	1,125.00
Temporary Labor	281.50	191.25	114.75	161.50	0.00	352.75	0.00	1,101.75
Miscellaneous Supplies	0.00	80.00	0.00	464.30	1,872.89	350.00	(350.00)	2,417.19
<b>Total COGS</b>	<b>141,552.76</b>	<b>146,277.54</b>	<b>215,578.35</b>	<b>223,696.69</b>	<b>243,693.02</b>	<b>187,348.65</b>	<b>160,299.52</b>	<b>1,318,446.53</b>
<b>Gross Margin</b>	<b>194,789.90</b>	<b>176,823.75</b>	<b>126,993.47</b>	<b>136,896.79</b>	<b>213,087.84</b>	<b>246,769.55</b>	<b>267,488.78</b>	<b>1,362,850.08</b>
Payroll	35,419.10	33,072.56	49,611.73	30,534.36	29,306.39	29,493.61	23,791.57	231,229.32
Bonus & Awards	1,205.00	1,205.00	1,212.00	1,212.00	1,212.00	0.00	1,212.00	7,258.00
Sales Commission	13,761.25	10,054.00	10,674.33	16,027.86	14,516.35	39,284.63	4,319.96	108,638.38
Referral Endorser & Registered	365.50	832.80	2,683.10	(464.90)	712.80	406.10	0.00	4,535.40
Employee Benefits - In	10,245.57	8,059.70	8,663.18	10,319.88	9,014.14	4,476.88	2,514.31	53,293.66
Advertising - Production	2,403.30	5.00	309.50	0.00	0.00	0.00	0.00	2,717.80
Advertising - Newspaper	27,354.60	30,070.05	29,714.05	28,386.07	27,309.13	25,198.86	22,781.52	190,814.28
Advertising - Magazine	0.00	0.00	1,350.00	0.00	1,350.00	582.54	200.00	3,482.54
Advertising - Directory	2,337.48	2,911.56	3,678.64	4,235.73	4,856.82	4,544.91	4,867.99	27,433.13



Advertising - Radio	25,375.00	21,669.84	23,544.80	11,945.00	8,700.00	8,284.47	12,282.45	111,801.56
Advertising - Billboard	800.00	800.00	(111.50)	800.00	800.00	800.00	1,800.00	5,688.50
Direct Mail - Postage	0.00	0.00	0.00	2,002.47	0.00	2,000.00	0.00	4,002.47
Promotions Expense	(1,200.00)	0.00	0.00	1,868.00	226.00	0.00	0.00	894.00
Trade Shows	0.00	0.00	396.77	105.00	3,297.56	4,808.76	787.60	9,395.69
Trade Shows - Materials	0.00	0.00	233.08	0.00	0.00	0.00	0.00	233.08
Trade Shows - Marketing Booth	0.10	0.00	583.04	261.82	0.00	0.00	0.00	844.96
Automobile	696.00	1,566.00	1,774.00	1,566.00	1,566.00	1,216.00	1,216.00	9,600.00
Overnight Delivery	58.75	51.88	76.51	39.63	21.46	0.00	0.00	248.23
Travel	399.26	358.08	658.70	1,640.38	3,608.68	1,489.85	1,810.55	9,965.50
Meals & Entertainment	247.09	170.76	446.39	101.05	137.00	0.00	101.12	1,203.41
Membership Dues	0.00	0.00	700.00	0.00	0.00	0.00	0.00	700.00
Misc. Other Expense	0.00	0.00	0.00	32.86	0.00	0.00	920.00	952.86
<b>Total S&amp;M</b>	<b>119,468.00</b>	<b>110,827.23</b>	<b>136,198.32</b>	<b>110,613.21</b>	<b>106,634.33</b>	<b>122,586.61</b>	<b>78,605.07</b>	<b>784,932.77</b>
Payroll	64,166.89	65,609.62	97,710.78	62,106.32	60,627.54	60,285.57	67,710.67	478,217.39
Bonus & Awards	1,467.29	1,288.00	1,323.00	1,323.00	1,323.00	2,535.00	1,323.00	10,582.29
Employee Benefits - In	13,084.48	13,565.36	19,108.66	17,541.96	14,508.83	2,494.32	9,383.09	89,686.70
Internet Connectivity	5,095.00	16,552.68	14,327.75	14,227.00	15,007.23	14,589.24	59,941.36	139,740.26
Network Loops	46,426.19	48,902.42	55,918.56	51,953.29	59,889.75	70,658.44	86,801.58	420,550.23
800 Numbers-Incoming	5,744.15	5,300.00	6,872.58	(17,916.73)	0.00	0.00	0.00	0.00
Equipment & Software	180.11	1,355.42	242.55	297.95	105.89	1,802.02	2,225.01	6,208.95
Leased & Rented Equipment	236.77	368.80	184.40	0.00	0.00	0.00	0.00	789.97
Leg Expenses	0.00	3,190.00	795.00	0.00	0.00	0.00	1,097.10	5,082.10
SS7 Expenses	4,048.60	4,050.01	12,182.77	5,221.01	5,233.01	5,434.12	5,840.77	42,010.29
Phone Switch Expenses	92.54	0.00	0.00	90.46	97.68	81.59	87.60	449.87
Dues & Subscriptions	0.00	200.00	416.67	716.67	991.62	765.67	816.67	3,907.30
Books	16.17	813.45	0.00	0.00	0.00	0.00	0.00	829.62
Seminars & Training	0.00	0.00	0.00	0.00	0.00	0.00	238.00	238.00
Service Contracts	3,014.22	3,014.22	3,014.22	4,006.28	3,220.88	3,549.18	3,220.88	23,039.88
Overnight Delivery	32.75	292.37	106.52	212.08	262.60	321.68	353.28	1,581.28
Travel	105.92	648.42	465.23	1,377.21	1,426.81	74.54	0.00	4,098.13
Meals & Entertainment	0.00	0.00	135.79	298.98	111.68	50.00	55.89	652.34
Outside Services	0.00	0.00	0.00	0.00	780.00	0.00	0.00	780.00
1099 Temp Help/Contractor	1,903.41	455.18	89.10	0.00	0.00	0.00	0.00	2,447.69
Recruitment Expenses	0.00	136.48	0.00	0.00	0.00	0.00	0.00	136.48
Membership Dues	165.00	0.00	0.00	0.00	0.00	0.00	0.00	165.00
Misc. Other Expense	1,468.26	2,307.22	2,294.20	4,216.10	3,112.46	2,802.52	2,772.96	18,973.72
LEC Billing - Expense	0.00	0.00	0.00	0.00	827.92	1,198.76	1,708.37	3,735.05
Bad Debt Expense	0.00	0.00	0.00	0.00	252.15	4,894.96	518.29	5,665.40
Debt Transaction Fees	48,079.95	13,774.00	6,364.94	0.00	0.00	0.00	0.00	68,218.89
Bank Charges	62.00	37.00	161.00	92.45	62.00	104.00	57.00	575.45
Merchant Expense	6,796.70	4,009.73	16,189.87	7,637.73	6,722.23	5,961.32	5,664.15	52,981.73

Insurance	1,491.00	2,460.00	2,571.00	4,420.16	2,921.59	2,621.59	2,865.59	19,350.93
Building Rent Expense	17,165.72	17,095.00	17,216.79	17,131.57	16,636.56	17,120.00	18,080.00	120,445.64
Collocation Rent	0.00	0.00	0.00	0.00	2,835.00	1,575.00	1,575.00	5,985.00
Utilities	54.96	3,251.71	3,317.39	3,805.06	3,048.17	4,974.89	4,631.10	23,083.28
Telephone	4,105.72	2,579.38	8,048.68	1,271.89	2,918.82	2,880.25	2,944.15	24,748.89
Building Maintenance	2,581.55	1,100.23	1,116.75	1,872.65	3,478.69	1,358.52	690.96	12,199.35
Office Expenses	1,778.80	2,330.03	998.47	2,961.54	1,869.54	1,797.30	578.32	12,314.00
Legal Expenses	(199.00)	0.00	1,040.99	1,355.00	63,121.20	15,800.07	42,840.48	123,958.74
Accounting	2,208.00	2,208.00	2,208.00	2,208.00	12,584.00	2,208.00	12,710.00	36,334.00
Consulting	0.00	0.00	0.00	0.00	305.38	1,048.26	0.00	1,353.64
Total G&A	231,373.15	216,894.73	274,421.66	188,427.63	284,282.23	228,986.81	336,731.27	1,761,117.48
Interest Income	(96.85)	(92.36)	(74.65)	(12.61)	(29.22)	(146.65)	(75.89)	(528.23)
Interest Expense	45,692.49	32,831.97	42,738.84	39,592.05	42,302.07	40,179.14	49,784.86	293,121.42
Depreciation Expense	52,335.95	63,480.55	18,595.69	30,305.72	34,667.25	36,246.83	33,111.83	268,743.82
Total Other (Income)/Expense	97,931.59	96,220.16	61,259.88	69,885.16	76,940.10	76,279.32	82,820.80	561,337.01
Net (Loss)/Income	(\$253,982.84)	(\$247,118.37)	(\$344,886.39)	(\$232,029.21)	(\$254,768.82)	(\$181,083.19)	(\$230,668.36)	(\$1,744,537.18)

SNIP  
SNIP, Inc.

For the Seven Months Ending July 31, 2000

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Data Services	351,575.04	334,676.12	358,507.93	369,030.81	461,937.19	432,188.16	419,990.79	2,727,906.04
Refunds	(15,232.38)	(11,574.83)	(16,154.89)	(9,766.59)	(10,056.78)	(12,063.38)	(7,571.57)	(82,420.42)
Total Revenue	336,342.66	323,101.29	342,353.04	359,264.22	451,880.41	420,124.78	412,419.22	2,645,485.62
Payroll	31,116.44	28,870.85	42,978.26	28,891.69	26,782.80	24,755.54	27,553.40	210,948.98
Employee Benefits - In	5,700.58	5,563.26	4,734.11	2,713.42	2,372.45	585.71	3,593.20	25,262.73
Dial-up Lines	75,398.53	74,749.86	76,418.53	79,277.48	62,359.84	37,918.85	23,972.64	430,095.73
Network Loops	22,413.83	21,855.91	30,090.97	31,173.52	32,766.97	38,213.33	34,160.27	210,704.80
Depreciation	0.00	0.00	27,375.94	30,800.42	34,588.10	34,559.63	33,447.42	160,771.51
Equipment	0.00	0.00	0.00	0.00	52,718.15	17,932.50	0.00	70,650.65
CD's & Floppies	1,172.00	5,029.79	198.00	4,122.62	0.00	0.00	0.00	10,522.41
Books	1,469.88	4,902.29	0.00	0.00	0.00	0.00	0.00	6,372.17
Instructional Sheets	0.00	0.00	0.00	0.00	1,180.03	938.10	0.00	2,118.13
Shipping & Postage	4,000.00	5,004.33	4,495.52	247.25	2,000.00	0.00	1,502.00	17,249.10
Outside Services	0.00	0.00	0.00	0.00	1,125.00	0.00	0.00	1,125.00
Temporary Labor	281.50	191.25	114.75	161.50	0.00	352.75	0.00	1,101.75
Miscellaneous Supplies	0.00	80.00	0.00	464.30	1,872.89	350.00	(350.00)	2,417.19
Total COGS	141,552.76	146,277.54	186,406.08	177,852.20	217,766.23	155,606.41	123,878.93	1,149,340.15
Gross Margin	194,789.90	176,823.75	155,946.96	181,412.02	234,114.18	264,518.37	288,540.29	1,496,145.47
Payroll	35,419.10	33,072.56	42,933.11	25,303.96	24,075.99	23,913.21	22,810.87	207,528.80
Bonus & Awards	1,205.00	1,205.00	1,212.00	1,212.00	1,212.00	0.00	1,212.00	7,258.00
Sales Commission	13,761.25	10,054.00	10,674.33	16,027.86	14,516.35	39,284.63	4,319.96	108,638.38
Referral Endorser & Registered	365.50	832.80	2,683.10	(464.90)	712.80	406.10	0.00	4,535.40
Employee Benefits - In	10,245.57	8,059.70	8,663.18	10,319.88	9,014.14	4,044.92	2,462.01	52,809.40
Advertising - Production	2,403.30	5.00	309.50	0.00	0.00	0.00	0.00	2,717.80
Advertising - Newspaper	27,354.60	30,070.05	29,714.05	28,386.07	27,309.13	25,198.86	22,781.52	190,814.28
Advertising - Magazine	0.00	0.00	1,350.00	0.00	1,350.00	582.54	200.00	3,482.54
Advertising - Directory	2,337.48	2,911.56	3,678.64	4,235.73	4,856.82	4,544.91	4,867.99	27,433.13
Advertising - Radio	25,375.00	21,669.84	23,544.80	11,945.00	8,700.00	8,284.47	12,282.45	111,801.56
Advertising - Billboard	800.00	800.00	(111.50)	800.00	800.00	800.00	1,800.00	5,688.50

Direct Mail - Postage	0.00	0.00	2,002.47	0.00	2,000.00	0.00	4,002.47
Promotions Expense	(1,200.00)	0.00	1,868.00	226.00	0.00	0.00	894.00
Trade Shows	0.00	0.00	105.00	3,297.56	4,808.76	787.60	9,395.69
Trade Shows - Materials	0.00	0.00	0.00	0.00	0.00	0.00	233.08
Trade Shows - Marketing Booth	0.10	0.00	261.82	0.00	0.00	0.00	844.96
Automobile	696.00	1,566.00	1,150.00	1,150.00	800.00	800.00	7,520.00
Overnight Delivery	58.75	51.88	39.63	21.46	0.00	0.00	248.23
Travel	399.26	358.08	1,640.38	3,072.34	1,489.85	1,810.55	9,243.66
Meals & Entertainment	247.09	170.76	101.05	59.83	0.00	101.12	1,126.24
Membership Dues	0.00	0.00	0.00	0.00	0.00	0.00	700.00
Misc. Other Expense	0.00	0.00	32.86	0.00	0.00	0.00	32.86
<b>Total S&amp;M</b>	<b>119,468.00</b>	<b>110,827.23</b>	<b>128,918.20</b>	<b>104,966.81</b>	<b>116,158.25</b>	<b>76,236.07</b>	<b>756,948.98</b>
<b>Payroll</b>	<b>57,566.90</b>	<b>59,669.54</b>	<b>86,373.18</b>	<b>54,747.92</b>	<b>52,947.69</b>	<b>52,249.00</b>	<b>416,931.07</b>
Bonus & Awards	1,467.29	1,288.00	1,323.00	1,323.00	2,535.00	1,323.00	10,582.29
Employee Benefits - In	12,588.26	13,063.91	18,385.08	17,080.48	2,122.56	9,326.93	86,692.99
Internet Connectivity	5,095.00	16,552.68	14,327.75	14,227.00	15,007.23	59,941.36	139,740.26
Network Loops	40,402.64	46,808.32	44,882.61	41,988.54	41,899.99	51,380.52	315,087.09
800 Numbers-Incoming	5,744.15	5,300.00	6,872.58	(17,916.73)	0.00	0.00	0.00
800 Number - SNIP LINK, LLC	0.00	0.00	0.00	26,767.37	4,193.00	4,507.78	40,291.09
Equipment & Software	180.11	1,345.33	242.55	297.95	1,641.38	2,225.01	5,932.33
Leased & Rented Equipment	236.77	368.80	184.40	0.00	0.00	0.00	789.97
Phone Switch Expenses	0.00	0.00	0.00	0.00	0.00	87.60	87.60
Dues & Subscriptions	0.00	200.00	416.67	716.67	665.67	816.67	3,807.30
Books	16.17	813.45	0.00	0.00	0.00	0.00	829.62
Seminars & Training	0.00	0.00	0.00	0.00	0.00	0.00	(2,312.00)
Service Contracts	3,014.22	3,014.22	3,014.22	4,006.28	3,549.18	238.00	23,039.88
Overnight Delivery	32.75	292.37	106.52	212.08	321.68	353.28	1,581.28
Travel	105.92	648.42	373.67	3.00	959.35	0.00	2,164.90
Meals & Entertainment	0.00	0.00	135.79	232.39	50.00	55.89	585.75
Outside Services	0.00	0.00	0.00	0.00	0.00	0.00	780.00
1099 Temp Help/Contractor	1,903.41	455.18	89.10	0.00	0.00	0.00	2,447.69
Recruitment Expenses	0.00	136.48	0.00	0.00	0.00	0.00	136.48
Membership Dues	165.00	0.00	0.00	0.00	0.00	0.00	165.00
Misc. Other Expense	1,400.57	2,089.60	1,887.60	2,866.83	2,407.58	2,574.93	16,185.38
Bad Debt Expense	0.00	0.00	0.00	0.00	4,600.00	0.00	4,600.00
Debt Transaction Fees	24,187.61	6,887.00	2,650.88	0.00	0.00	0.00	33,725.49
Bank Charges	62.00	37.00	161.00	92.45	104.00	57.00	575.45
Merchant Expense	6,796.70	4,009.73	16,189.87	7,637.73	5,961.32	5,664.15	52,981.73
Insurance	1,491.00	2,460.00	2,571.00	4,420.16	2,921.59	2,865.59	19,350.93
Building Rent Expense	7,154.01	7,125.00	7,125.00	7,154.00	6,580.00	8,110.00	50,398.01
Collocation Rent	0.00	0.00	0.00	0.00	1,890.00	1,050.00	3,990.00
Utilities	54.96	3,251.71	3,317.39	3,805.06	4,788.33	4,631.10	22,896.72

Telephone	4,082.94	2,579.38	7,850.97	1,248.38	2,895.19	2,880.25	2,944.15	24,481.26
Telephone - SNIP LINK, LLC	0.00	0.00	0.00	4,783.89	1,522.97	1,367.06	1,411.12	9,085.04
Building Maintenance	2,581.55	1,100.23	1,116.75	1,872.65	3,478.69	1,358.52	690.96	12,199.35
Office Expenses	1,778.80	2,330.03	998.47	2,961.54	1,869.54	1,797.30	578.32	12,314.00
Legal Expenses	51.00	0.00	272.50	1,272.50	25,477.39	2,204.85	19,003.20	48,281.44
Accounting	2,208.00	2,208.00	2,208.00	2,208.00	12,584.00	2,208.00	7,459.00	31,083.00
Consulting	0.00	0.00	0.00	0.00	305.38	1,048.26	0.00	1,353.64
Total G&A	180,367.73	184,034.38	223,076.55	184,009.14	206,647.32	171,961.47	242,765.44	1,392,862.03
Interest Income	(96.85)	(92.36)	(74.65)	(12.61)	(29.22)	(146.65)	(75.89)	(528.23)
Interest Expense	45,692.49	32,831.97	(7,957.73)	24,633.14	26,537.69	18,258.41	33,732.80	173,728.77
Depreciation Expense	51,016.73	52,243.32	26,302.29	29,383.01	33,231.69	34,811.27	31,520.39	258,508.70
Total Other (Income)/Expense	96,612.37	84,982.93	18,269.91	54,003.54	59,740.16	52,923.03	65,177.30	431,709.24
Net (Loss)/Income	(\$201,658.20)	(\$203,020.79)	(\$214,317.70)	(\$161,567.47)	(\$132,647.72)	(\$76,524.38)	(\$95,638.52)	(\$1,085,374.78)

SNIP  
Undefined  
For the Seven Months Ending July 31, 2000

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Data Services	351,575.04	334,676.12	358,507.93	369,030.81	461,937.19	432,188.16	419,990.79	2,727,906.04
Refunds	(15,232.38)	(11,574.83)	(16,154.89)	(9,766.59)	(10,056.78)	(12,063.38)	(7,571.57)	(82,420.42)
Total Revenue	336,342.66	323,101.29	342,353.04	359,264.22	451,880.41	420,124.78	412,419.22	2,645,485.62
Payroll	31,116.44	28,870.85	42,978.26	28,891.69	26,782.80	24,755.54	27,553.40	210,948.98
Employee Benefits - In	5,700.58	5,563.26	4,734.11	2,713.42	2,372.45	585.71	3,593.20	25,262.73
Dial-up Lines	75,398.53	74,749.86	76,418.53	79,277.48	62,359.84	37,918.85	23,972.64	430,095.73
Network Loops	22,413.83	21,885.91	30,090.97	31,173.52	32,766.97	38,213.33	34,160.27	210,704.80
Depreciation	0.00	0.00	27,375.94	30,800.42	34,588.10	34,559.63	93,447.42	160,771.51
Equipment	0.00	0.00	0.00	0.00	52,718.15	17,932.50	0.00	70,650.65
CD's & Floppies	1,172.00	5,029.79	198.00	4,122.62	0.00	0.00	0.00	10,522.41
Books	1,469.88	4,902.29	0.00	0.00	0.00	0.00	0.00	6,372.17
Instructional Sheets	0.00	0.00	0.00	0.00	1,180.03	938.10	0.00	2,118.13
Shipping & Postage	4,000.00	5,004.33	4,495.52	247.25	2,000.00	0.00	1,502.00	17,249.10
Outside Services	0.00	0.00	0.00	0.00	1,125.00	0.00	0.00	1,125.00
Temporary Labor	281.50	191.25	114.75	161.50	0.00	352.75	0.00	1,101.75
Miscellaneous Supplies	0.00	80.00	0.00	464.30	1,872.89	350.00	(350.00)	2,417.19
Total COGS	141,552.76	146,277.54	186,406.08	177,852.20	217,766.23	155,606.41	123,878.93	1,149,340.15
Gross Margin	194,789.90	176,823.75	155,946.96	181,412.02	234,114.18	264,518.37	288,540.29	1,496,145.47
Payroll	35,419.10	33,072.56	42,933.11	25,303.96	24,075.99	23,913.21	22,810.87	207,528.80
Bonus & Awards	1,205.00	1,205.00	1,212.00	1,212.00	1,212.00	0.00	1,212.00	7,258.00
Sales Commission	13,761.25	10,054.00	10,674.33	16,027.86	14,516.35	39,284.63	4,319.96	108,638.38
Referral Endorser & Registered	365.50	832.80	2,683.10	(464.90)	712.80	406.10	0.00	4,535.40
Employee Benefits - In	10,245.57	8,059.70	8,663.18	10,319.88	9,014.14	4,044.92	2,462.01	52,809.40
Advertising - Production	2,403.30	5.00	309.50	0.00	0.00	0.00	0.00	2,717.80
Advertising - Newspaper	27,354.60	30,070.05	29,714.05	28,386.07	27,309.13	25,198.86	22,781.52	190,814.28
Advertising - Magazine	0.00	0.00	1,350.00	0.00	1,350.00	582.54	200.00	3,482.54
Advertising - Directory	2,337.48	2,911.56	3,678.64	4,235.73	4,856.82	4,544.91	4,867.99	27,433.13
Advertising - Radio	25,375.00	21,669.84	23,544.80	11,945.00	8,700.00	8,284.47	12,282.45	111,801.56
Advertising - Billboard	800.00	800.00	(111.50)	800.00	800.00	800.00	1,800.00	5,688.50

Telephone	4,082.94	2,579.38	7,850.97	1,248.38	2,895.19	2,880.25	2,944.15	24,481.26
Telephone - SNIIP LINK, LLC	0.00	0.00	0.00	4,783.89	1,522.97	1,367.06	1,411.12	9,085.04
Building Maintenance	2,581.55	1,100.23	1,116.75	1,872.65	3,478.69	1,358.52	690.96	12,199.35
Office Expenses	1,778.80	2,330.03	998.47	2,961.54	1,869.54	1,797.30	578.32	12,314.00
Legal Expenses	51.00	0.00	272.50	1,272.50	25,477.39	2,204.85	19,003.20	48,281.44
Accounting	2,208.00	2,208.00	2,208.00	2,208.00	12,584.00	2,208.00	7,459.00	31,083.00
Consulting	0.00	0.00	0.00	0.00	305.38	1,048.26	0.00	1,353.64
Total G&A	180,367.73	184,034.38	223,076.55	184,009.14	206,647.32	171,961.47	242,765.44	1,392,862.03
Interest Income	(96.85)	(92.36)	(74.65)	(12.61)	(29.22)	(146.65)	(75.89)	(528.23)
Interest Expense	45,692.49	32,831.97	(7,957.73)	24,633.14	26,537.69	18,258.41	33,732.80	173,728.77
Depreciation Expense	51,016.73	52,243.32	26,302.29	29,383.01	33,231.69	34,811.27	31,520.39	258,508.70
Total Other (Income)/Expense	96,612.37	84,982.93	18,269.91	54,003.54	59,740.16	52,923.03	65,177.30	431,709.24
Net (Loss)/Income	(\$201,658.20)	(\$203,020.79)	(\$214,317.70)	(\$161,567.47)	(\$132,647.72)	(\$76,524.38)	(\$95,638.52)	(\$1,085,374.78)

Direct Mail - Postage	0.00	0.00	2,002.47	0.00	2,000.00	0.00	4,002.47
Promotions Expense	(1,200.00)	0.00	1,868.00	226.00	0.00	0.00	894.00
Trade Shows	0.00	0.00	105.00	3,297.56	4,808.76	787.60	9,395.69
Trade Shows - Materials	0.00	0.00	0.00	0.00	0.00	0.00	233.08
Trade Shows - Marketing Booth	0.10	0.00	261.82	0.00	0.00	0.00	844.96
Automobile	696.00	1,566.00	1,358.00	1,150.00	800.00	800.00	7,520.00
Overnight Delivery	58.75	51.88	76.51	21.46	0.00	0.00	248.23
Travel	399.26	358.08	473.20	3,072.34	1,489.85	1,810.55	9,243.66
Meals & Entertainment	247.09	170.76	446.39	59.83	0.00	101.12	1,126.24
Membership Dues	0.00	0.00	700.00	0.00	0.00	0.00	700.00
Misc. Other Expense	0.00	0.00	32.86	0.00	0.00	0.00	32.86
<b>Total S&amp;M</b>	<b>119,468.00</b>	<b>110,827.23</b>	<b>128,918.20</b>	<b>100,374.42</b>	<b>116,158.25</b>	<b>76,236.07</b>	<b>756,948.98</b>
<b>Payroll</b>	<b>57,566.90</b>	<b>59,669.54</b>	<b>86,373.18</b>	<b>54,747.92</b>	<b>52,947.69</b>	<b>52,249.00</b>	<b>416,931.07</b>
Bonus & Awards	1,467.29	1,288.00	1,323.00	1,323.00	2,535.00	1,323.00	10,582.29
Employee Benefits - In	12,588.26	13,063.91	18,385.08	17,080.48	2,122.56	9,326.93	86,692.99
Internet Connectivity	5,095.00	16,552.68	14,327.75	14,227.00	15,007.23	59,941.36	139,740.26
Network Loops	40,402.64	46,808.32	44,882.61	41,988.54	47,724.47	51,380.52	315,087.09
800 Numbers-Incoming	5,744.15	5,300.00	6,872.58	(17,916.73)	0.00	0.00	0.00
800 Number - SNIP LINK, LLC	0.00	0.00	0.00	26,767.37	4,822.94	4,507.78	40,291.09
Equipment & Software	180.11	1,345.33	242.55	297.95	0.00	2,225.01	5,932.33
Leased & Rented Equipment	236.77	368.80	184.40	0.00	0.00	0.00	789.97
Phone Switch Expenses	0.00	200.00	0.00	0.00	0.00	87.60	87.60
Dues & Subscriptions	0.00	813.45	416.67	716.67	665.67	816.67	3,807.30
Books	16.17	0.00	0.00	0.00	0.00	0.00	829.62
Seminars & Training	0.00	0.00	0.00	0.00	0.00	0.00	(2,312.00)
Service Contracts	3,014.22	3,014.22	3,014.22	4,006.28	3,549.18	3,220.88	23,039.88
Overnight Delivery	32.75	292.37	106.52	212.08	321.68	353.28	1,581.28
Travel	105.92	648.42	373.67	3.00	74.54	0.00	2,104.90
Meals & Entertainment	0.00	0.00	135.79	232.39	50.00	55.89	585.75
Outside Services	0.00	0.00	0.00	0.00	0.00	0.00	780.00
1099 Temp Help/Contractor	1,903.41	455.18	89.10	0.00	0.00	0.00	2,447.69
Recruitment Expenses	0.00	136.48	0.00	0.00	0.00	0.00	136.48
Membership Dues	165.00	0.00	0.00	0.00	0.00	0.00	165.00
Misc. Other Expense	1,400.57	2,089.60	1,887.60	2,866.83	2,407.58	2,574.93	16,185.38
Bad Debt Expense	0.00	0.00	0.00	0.00	4,600.00	0.00	4,600.00
Debt Transaction Fees	24,187.61	6,887.00	2,650.88	0.00	0.00	0.00	33,725.49
Bank Charges	62.00	37.00	161.00	92.45	104.00	57.00	575.45
Merchant Expense	6,796.70	4,009.73	16,189.87	7,637.73	5,961.32	5,664.15	52,981.73
Insurance	1,491.00	2,460.00	2,571.00	4,420.16	2,621.59	2,865.59	19,350.93
Building Rent Expense	7,154.01	7,125.00	7,125.00	7,154.00	6,580.00	8,110.00	50,398.01
Collocation Rent	0.00	0.00	0.00	0.00	1,890.00	1,050.00	3,990.00
Utilities	54.96	3,251.71	3,317.39	3,805.06	4,788.33	4,631.10	22,896.72



SNIPLINK  
SNIP LINK  
For the Seven Months Ending July 31, 2000

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Voice Services	\$0.00	\$0.00	\$218.78	\$1,329.26	\$4,987.78	\$13,993.42	\$15,892.89	\$36,422.13
Voice Services - SNIP, Inc.	0.00	0.00	0.00	26,843.42	5,369.45	4,690.53	5,091.51	41,994.91
Refunds	0.00	0.00	0.00	0.00	(\$7.33)	0.00	(\$23.81)	(611.14)
Total Revenue	0.00	0.00	218.78	28,172.68	10,269.90	18,683.95	20,460.59	77,805.90
Payroll	0.00	0.00	0.00	0.00	0.00	0.00	1,154.00	1,154.00
Local Toll/LD/800	0.00	0.00	194.09	26,525.70	6,501.88	12,317.33	15,841.67	61,380.67
Depreciation	0.00	0.00	28,978.18	19,318.79	19,424.91	19,424.91	19,424.92	106,571.71
Total COGS	0.00	0.00	29,172.27	45,844.49	25,926.79	31,742.24	36,420.59	169,106.38
Gross Margin	0.00	0.00	(28,953.49)	(17,671.81)	(15,656.89)	(13,058.29)	(15,960.00)	(91,300.48)
Payroll	0.00	0.00	6,678.62	5,230.40	5,230.40	5,580.40	980.70	23,700.52
Employee Benefits - In	0.00	0.00	0.00	0.00	0.00	431.96	52.30	484.26
Automobile	0.00	0.00	416.00	416.00	416.00	416.00	416.00	2,080.00
Travel	0.00	0.00	185.50	0.00	536.34	0.00	0.00	721.84
Meals & Entertainment	0.00	0.00	0.00	0.00	77.17	0.00	0.00	77.17
Misc. Other Expense	0.00	0.00	0.00	0.00	0.00	0.00	920.00	920.00
Total S&M	0.00	0.00	7,280.12	5,646.40	6,259.91	6,428.36	2,369.00	27,983.79
Payroll	6,599.99	5,940.08	11,337.60	7,358.40	7,250.70	7,337.88	15,461.67	61,286.32
Employee Benefits - In	496.22	501.45	723.58	461.48	383.06	371.76	56.16	2,993.71
Network Loops	6,023.55	2,094.10	11,035.95	9,964.75	17,989.76	22,933.97	35,421.06	105,463.14
Equipment & Software	0.00	10.09	0.00	0.00	105.89	160.64	0.00	276.62
Larg Expenses	0.00	3,190.00	795.00	0.00	0.00	0.00	1,097.10	5,082.10
SS7 Expenses	4,048.60	4,050.01	12,182.77	5,221.01	5,233.01	5,434.12	5,840.77	42,010.29
Phone Switch Expenses	92.54	0.00	0.00	90.46	97.68	81.59	0.00	362.27
Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00	100.00	0.00	100.00
Seminars & Training	0.00	0.00	0.00	0.00	2,550.00	0.00	0.00	2,550.00
Travel	0.00	0.00	91.56	1,374.21	467.46	0.00	0.00	1,933.23
Meals & Entertainment	0.00	0.00	0.00	66.59	0.00	0.00	0.00	66.59

Misc. Other Expense	67.69	217.62	406.60	1,349.27	154.19	394.94	198.03	2,788.34
LEC Billing - Expense	0.00	0.00	0.00	0.00	827.92	1,198.76	1,708.37	3,735.05
Bad Debt Expense	0.00	0.00	0.00	0.00	252.15	294.96	518.29	1,065.40
Debt Transaction Fees	23,892.34	6,887.00	3,714.06	0.00	0.00	0.00	0.00	34,493.40
Building Rent Expense	10,011.71	9,970.00	10,091.79	9,977.57	10,056.56	9,970.00	9,970.00	70,047.63
Collocation Rent	0.00	0.00	0.00	0.00	945.00	525.00	525.00	1,995.00
Utilities	0.00	0.00	0.00	0.00	0.00	186.56	0.00	186.56
Telephone	22.78	0.00	197.71	23.51	23.63	0.00	0.00	267.63
Legal Expenses	(250.00)	0.00	768.49	82.50	37,643.81	13,595.22	23,837.28	75,677.30
Accounting	0.00	0.00	0.00	0.00	0.00	0.00	5,251.00	5,251.00
Total G&A	51,005.42	32,860.35	51,345.11	35,969.75	83,980.82	62,585.40	99,884.73	417,631.58
Interest Expense	0.00	0.00	50,696.57	14,958.91	15,764.38	21,920.73	16,052.06	119,392.65
Depreciation Expense	1,319.22	11,237.23	(7,706.60)	922.71	1,435.56	1,435.56	1,591.44	10,235.12
Total Other (Income)/Expense	1,319.22	11,237.23	42,989.97	15,881.62	17,199.94	23,356.29	17,643.50	129,627.77
Net (Loss)/Income	(\$52,324.64)	(\$44,097.58)	(\$130,568.69)	(\$75,169.58)	(\$123,097.56)	(\$105,428.34)	(\$135,857.23)	(\$666,543.62)

SNIPLINK  
Undefined

For the Seven Months Ending July 31, 2000

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Voice Services	\$0.00	\$0.00	\$218.78	\$1,329.26	\$4,987.78	\$13,993.42	\$15,892.89	\$36,422.13
Voice Services - SNIP, Inc.	0.00	0.00	0.00	26,843.42	5,369.45	4,690.53	5,091.51	41,994.91
Refunds	0.00	0.00	0.00	0.00	(87.33)	0.00	(523.81)	(611.14)
<b>Total Revenue</b>	<b>0.00</b>	<b>0.00</b>	<b>218.78</b>	<b>28,172.68</b>	<b>10,269.90</b>	<b>18,683.95</b>	<b>20,460.59</b>	<b>77,805.90</b>
<b>Payroll</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1,154.00</b>	<b>1,154.00</b>
Local Toll/LD/800	0.00	0.00	194.09	26,525.70	6,501.88	12,317.33	15,841.67	61,380.67
Depreciation	0.00	0.00	28,978.18	19,318.79	19,424.91	19,424.91	19,424.92	106,571.71
<b>Total COGS</b>	<b>0.00</b>	<b>0.00</b>	<b>29,172.27</b>	<b>45,844.49</b>	<b>25,926.79</b>	<b>31,742.24</b>	<b>36,420.59</b>	<b>169,106.38</b>
<b>Gross Margin</b>	<b>0.00</b>	<b>0.00</b>	<b>(28,953.49)</b>	<b>(17,671.81)</b>	<b>(15,656.89)</b>	<b>(13,058.29)</b>	<b>(15,960.00)</b>	<b>(91,300.48)</b>
<b>Payroll</b>	<b>0.00</b>	<b>0.00</b>	<b>6,678.62</b>	<b>5,230.40</b>	<b>5,230.40</b>	<b>5,580.40</b>	<b>980.70</b>	<b>23,700.52</b>
Employee Benefits - In	0.00	0.00	0.00	0.00	0.00	431.96	52.30	484.26
Automobile	0.00	0.00	416.00	416.00	416.00	416.00	416.00	2,080.00
Travel	0.00	0.00	185.50	0.00	536.34	0.00	0.00	721.84
Meals & Entertainment	0.00	0.00	0.00	0.00	77.17	0.00	0.00	77.17
Misc. Other Expense	0.00	0.00	0.00	0.00	0.00	0.00	920.00	920.00
<b>Total S&amp;M</b>	<b>0.00</b>	<b>0.00</b>	<b>7,280.12</b>	<b>5,646.40</b>	<b>6,259.91</b>	<b>6,428.36</b>	<b>2,369.00</b>	<b>27,983.79</b>
<b>Payroll</b>	<b>6,599.99</b>	<b>5,940.08</b>	<b>11,337.60</b>	<b>7,358.40</b>	<b>7,250.70</b>	<b>7,337.88</b>	<b>15,461.67</b>	<b>61,286.32</b>
Employee Benefits - In	496.22	501.45	723.58	461.48	383.06	371.76	56.16	2,993.71
Network Loops	6,023.55	2,094.10	11,035.95	9,964.75	17,989.76	22,933.97	35,421.06	105,463.14
Equipment & Software	0.00	10.09	0.00	0.00	105.89	160.64	0.00	276.62
Leg Expenses	0.00	3,190.00	795.00	0.00	0.00	0.00	1,097.10	5,082.10
SS7 Expenses	4,048.60	4,050.01	12,182.77	5,221.01	5,233.01	5,434.12	5,840.77	42,010.29
Phone Switch Expenses	92.54	0.00	0.00	90.46	97.68	81.59	0.00	362.27
Dues & Subscriptions	0.00	0.00	0.00	0.00	0.00	100.00	0.00	100.00
Seminars & Training	0.00	0.00	0.00	0.00	2,550.00	0.00	0.00	2,550.00
Travel	0.00	0.00	91.56	1,374.21	467.46	0.00	0.00	1,933.23
Meals & Entertainment	0.00	0.00	0.00	66.59	0.00	0.00	0.00	66.59

Misc. Other Expense	67.69	217.62	406.60	1,349.27	154.19	394.94	198.03	2,788.34
LEC Billing - Expense	0.00	0.00	0.00	0.00	827.92	1,198.76	1,708.37	3,735.05
Bad Debt Expense	0.00	0.00	0.00	0.00	252.15	294.96	518.29	1,065.40
Debt Transaction Fees	23,892.34	6,887.00	3,714.06	0.00	0.00	0.00	0.00	34,493.40
Building Rent Expense	10,011.71	9,970.00	10,091.79	9,977.57	10,056.56	9,970.00	9,970.00	70,047.63
Collocation Rent	0.00	0.00	0.00	0.00	945.00	525.00	525.00	1,995.00
Utilities	0.00	0.00	0.00	0.00	0.00	186.56	0.00	186.56
Telephone	22.78	0.00	197.71	23.51	23.63	0.00	0.00	267.63
Legal Expenses	(250.00)	0.00	768.49	82.50	37,643.81	13,595.22	23,837.28	75,677.30
Accounting	0.00	0.00	0.00	0.00	0.00	0.00	5,251.00	5,251.00
Total G&A	51,005.42	32,860.35	51,345.11	35,969.75	83,980.82	62,585.40	99,884.73	417,631.58
Interest Expense	0.00	0.00	50,696.57	14,958.91	15,764.38	21,920.73	16,052.06	119,392.65
Depreciation Expense	1,319.22	11,237.23	(7,706.60)	922.71	1,435.56	1,435.56	1,591.44	10,235.12
Total Other (Income)/Expense	1,319.22	11,237.23	42,989.97	15,881.62	17,199.94	23,356.29	17,643.50	129,627.77
Net (Loss)/Income	(\$52,324.64)	(\$44,097.58)	(\$130,568.69)	(\$75,169.58)	(\$123,097.56)	(\$105,428.34)	(\$135,857.23)	(\$666,543.62)

Elimination of I/C Sales  
Elimination of I/C Sales  
For the Seven Months Ending July 31, 2000

	January Combined	February Combined	March Combined	April Combined	May Combined	June Combined	July Combined	Total
Voice Services - SNiP, Inc.	0.00	0.00	0.00	(26,843.42)	(5,369.45)	(4,690.53)	(5,091.51)	(41,994.91)
Total Revenue	0.00	0.00	0.00	(26,843.42)	(5,369.45)	(4,690.53)	(5,091.51)	(41,994.91)
Gross Margin	0.00	0.00	0.00	(26,843.42)	(5,369.45)	(4,690.53)	(5,091.51)	(41,994.91)
800 Number - SNIP LINK, LLC	0.00	0.00	0.00	(26,767.37)	(4,822.94)	(4,193.00)	(4,507.78)	(40,291.09)
Telephone - SNIP LINK, LLC	0.00	0.00	0.00	(4,783.89)	(1,522.97)	(1,367.06)	(1,411.12)	(9,085.04)
Total G&A	0.00	0.00	0.00	(31,551.26)	(6,345.91)	(5,560.06)	(5,918.90)	(49,376.13)
Net (Loss)/Income	\$0.00	\$0.00	\$0.00	\$4,707.84	\$976.46	\$869.53	\$827.39	\$7,381.22

**SNIP**  
**Combining Balance Sheet**  
**February 29, 2000**

	SNIP, Inc.	SNIP LINK LLC	Eliminations	Combined
<b>Assets</b>				
Petty Cash	\$72.05	\$0.00	\$0.00	\$72.05
Comm Oper Acct-3964319	5,237.79	0.00	0.00	5,237.79
Comm Merch Acct-3964327	27,683.12	0.00	0.00	27,683.12
Comm PR Acct-3964301	16,642.79	0.00	0.00	16,642.79
Comm MM-3964707	48,383.68	0.00	0.00	48,383.68
Comm Checking-3965001-LINK L	0.00	5,000.00	0.00	5,000.00
<b>Total Cash</b>	<b>98,019.43</b>	<b>5,000.00</b>	<b>0.00</b>	<b>103,019.43</b>
Accounts Receivable	183,952.54	0.00	0.00	183,952.54
Employee Receivables	3,674.32	0.00	0.00	3,674.32
Due from SNIP Link, LLC	682,636.63	0.00	682,636.63	0.00
Prepays	69,133.44	10,470.59	0.00	79,604.03
Other Current Assets	6,085.24	0.00	0.00	6,085.24
<b>Total Other Current Assets</b>	<b>945,482.17</b>	<b>10,470.59</b>	<b>682,636.63</b>	<b>273,316.13</b>
<b>Current Assets</b>	<b>1,043,501.60</b>	<b>15,470.59</b>	<b>682,636.63</b>	<b>376,335.56</b>
Computer Hardware	1,692,981.25	0.00	0.00	1,692,981.25
Computer Software	248,539.91	0.00	0.00	248,539.91
Office Equipment	282,856.22	0.00	0.00	282,856.22
Furniture & Fixtures	249,850.90	0.00	0.00	249,850.90
Leasehold Improvements	412,426.61	10,150.00	0.00	422,576.61
Telephony Equipment	0.00	1,728,114.46	0.00	1,728,114.46
<b>Total Fixed Assets</b>	<b>2,886,654.89</b>	<b>1,738,264.46</b>	<b>0.00</b>	<b>4,624,919.35</b>
A/D - Computer Hardware	(643,526.54)	0.00	0.00	(643,526.54)
A/D - Computer Software	(2,833.68)	0.00	0.00	(2,833.68)
A/D - Office Equipment	(241,567.05)	0.00	0.00	(241,567.05)
A/D - Furniture & Fixtures	(34,525.93)	0.00	0.00	(34,525.93)
A/D - Leasehold Improvements	(40,055.40)	(3,677.34)	0.00	(43,732.74)
A/D - Telephony Equipment	0.00	(16,099.50)	0.00	(16,099.50)
<b>Total Accumulated Depreciation</b>	<b>(962,508.60)</b>	<b>(19,776.84)</b>	<b>0.00</b>	<b>(982,285.44)</b>
<b>Net Fixed Assets</b>	<b>1,924,146.29</b>	<b>1,718,487.62</b>	<b>0.00</b>	<b>3,642,633.91</b>
Deposits	60,274.00	0.00	0.00	60,274.00
<b>Total Assets</b>	<b>3,027,921.89</b>	<b>1,733,958.21</b>	<b>682,636.63</b>	<b>4,079,243.47</b>
<b>Liabilities and Equity</b>				
Capital Leases - Current	296,157.05	0.00	0.00	296,157.05
Accounts Payable	1,092,452.71	0.00	0.00	1,092,452.71
Accrued Expenses	554,986.53	0.00	0.00	554,986.53
Deferred Income - Current	1,384,352.04	0.00	0.00	1,384,352.04
Due to SNIP Link, LLC	0.00	682,636.63	682,636.63	0.00
<b>Current Liabilities</b>	<b>3,327,948.33</b>	<b>682,636.63</b>	<b>682,636.63</b>	<b>3,327,948.33</b>
Long-Term Debt	1,319,282.71	1,480,889.13	0.00	2,800,171.84
Capital Leases - L/T	585,410.60	0.00	0.00	585,410.60
Deferred Income - L/T	127,254.95	0.00	0.00	127,254.95
<b>Total Liabilities</b>	<b>5,359,896.59</b>	<b>2,163,525.76</b>	<b>682,636.63</b>	<b>6,840,785.72</b>
Current Earnings	(404,678.99)	(96,422.22)	0.00	(501,101.21)
Retained Earnings	(2,946,553.71)	(338,145.33)	0.00	(3,284,699.04)
Members' Interest	0.00	5,000.00	0.00	5,000.00
Capital Stock	1,019,258.00	0.00	0.00	1,019,258.00
<b>Shareholder Equity</b>	<b>(2,331,974.70)</b>	<b>(429,567.55)</b>	<b>0.00</b>	<b>(2,761,542.25)</b>
<b>Total Liabilities and Equity</b>	<b>\$3,027,921.89</b>	<b>\$1,733,958.21</b>	<b>\$682,636.63</b>	<b>\$4,079,243.47</b>

**SNIP**  
**P&L w/ Departmental Breakdown**  
**Combining Statement**  
**For the Month Ending February 29, 2000**

	SNIP, Inc.	SNIP LiNK LLC	Combined
Data Services	\$334,676.12		\$334,676.12
Refunds - CC	(8,932.13)		(8,932.13)
Refunds - Cash	(2,642.70)		(2,642.70)
<b>Total Revenue</b>	<b>323,101.29</b>		<b>323,101.29</b>
Payroll	28,870.85		28,870.85
Employee Benefits - In	5,563.26		5,563.26
Dial-up Lines	74,749.86		74,749.86
Network Loops	21,885.91		21,885.91
CD's & Floppies	5,029.79		5,029.79
Books	4,902.29		4,902.29
Shipping & Postage	5,004.33		5,004.33
Temporary Labor	191.25		191.25
Miscellaneous Supplies	80.00		80.00
<b>Total COGS</b>	<b>146,277.54</b>		<b>146,277.54</b>
<b>Gross Margin</b>	<b>176,823.75</b>		<b>176,823.75</b>
<b>Gross Margin %</b>	<b>54.73%</b>		<b>54.73%</b>
Payroll	92,742.10	5,940.08	98,682.18
Bonus & Awards	2,493.00		2,493.00
Sales Commission	10,054.00		10,054.00
Referral Endorser & Registered	832.80		832.80
Employee Benefits - In	21,123.61	501.45	21,625.06
Advertising - Production	5.00		5.00
Advertising - Newspaper	30,070.05		30,070.05
Advertising - Directory	2,911.56		2,911.56
Advertising - Radio	21,669.84		21,669.84
Advertising - Billboard	800.00		800.00
Internet Connectivity	16,552.68		16,552.68
Network Loops	46,808.32	2,094.10	48,902.42
800 Numbers-Incoming	5,300.00		5,300.00
Equipment & Software	1,345.33	10.09	1,355.42
Leased & Rented Equipment	368.80		368.80
Lerg Expenses		3,190.00	3,190.00
SS7 Expenses		4,050.01	4,050.01
Automobile	1,566.00		1,566.00
Dues & Subscriptions	200.00		200.00
Books	813.45		813.45
Service Contracts	3,014.22		3,014.22
Overnight Delivery	344.25		344.25
Travel	1,006.50		1,006.50
Meals & Entertainment	170.76		170.76
1099 Temp Help/Contractor	455.18		455.18
Recruitment Expenses	136.48		136.48
Misc. Other Expense	2,089.60	217.62	2,307.22
Debt Transaction Fees	6,887.00	6,887.00	13,774.00
Bank Charges	37.00		37.00
Merchant Expense	4,009.73		4,009.73
Insurance	2,460.00		2,460.00
Building Rent Expense	7,125.00	9,970.00	17,095.00
Utilities	3,251.71		3,251.71
Telephone	2,579.38		2,579.38
Building Maintenance	1,100.23		1,100.23
Office Expenses	2,330.03		2,330.03
Accounting	2,208.00		2,208.00
<b>Total SG&amp;A</b>	<b>294,861.61</b>	<b>32,860.35</b>	<b>327,721.96</b>
Interest Income	(92.36)		(92.36)
Interest Expense	32,831.97		32,831.97
Depreciation Expense	52,243.32	11,237.23	63,480.55

**SNIP**  
**P&L w/ Departmental Breakdown**  
**Combining Statement**  
**For the Month Ending February 29, 2000**

	<b>SNiP, Inc.</b>	<b>SNiP LiNK LLC</b>	<b>Combined</b>
Total Other (Income)/Expense	<u>\$84,982.93</u>	<u>\$11,237.23</u>	<u>\$96,220.16</u>
Net (Loss)/Income	<u>(\$203,020.79)</u>	<u>(\$44,097.58)</u>	<u>(\$247,118.37)</u>



SNiP

mbined Statement Cash Flows  
For the Two Months Ended 2/29/2000

Cash Flow from Operating Activities:

Net Income / (Loss)	(501,101)
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Adjustments to reconcile net income to net cash  
provided by operating activities:

Depreciation & Amortization	115,816
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Changes in operating assets & liabilities:

Accounts Receivable, net	(43,330)
Prepays & other current assets	(23,076)
Deposits	2,850
Accounts Payable	(82,030)
Current Liabilities	154,680
Deferred revenue	215,796

Net Cash Flow Used by Operating Activities	<u>(160,394)</u>
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Cash Flow from Investing Activities:

Fixed Asset Additions	(94,967)
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Net Cash Flow Used by Investing Activities	<u>(94,967)</u>
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Cash Flow from Financing Activities:

Borrowings - Newcourt Senior Secured Facility	300,000
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Payments on Capital Leases	(61,162)
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Net Cash Provided by Financing Activities	<u>238,838</u>
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Net Decrease in Cash	(16,524)
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Cash Beginning of Year	<u>119,544</u>
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Cash End of Year	<u><u>103,020</u></u>
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03/22/00

**SNIP, Inc. (Unaudited)**  
**Balance Sheet**  
As of December 31, 1999

	Dec 31, '99
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1000000 • Petty Cash	72.05
1040000 • Comm Oper Acct-3964319	40,795.12
1050000 • Comm Merch Acct-3964327	3,552.37
1060000 • Comm PR Acct-3964301	2,309.44
1070000 • Comm MM-3964707	67,814.64
Total Checking/Savings	114,543.62
Accounts Receivable	
1200000 • Accounts Receivable	140,622.80
Total Accounts Receivable	140,622.80
Other Current Assets	
1300000 • Employee Receivables	2,169.96
1305000 • Due from SNIP Link, LLC	772,617.16
1500000 • Prepaids	54,351.95
1570000 • Other Current Assets	9,765.95
Total Other Current Assets	838,905.02
Total Current Assets	1,094,071.44
Fixed Assets	
1610000 • Computer Hardware	1,638,816.09
1620000 • Computer Software	242,438.57
1630000 • Office Equipment	282,856.22
1640000 • Furniture & Fixtures	249,850.90
1650000 • Leasehold Improvements	406,185.26
1710000 • A/D - Computer Hardware	-559,586.11
1720000 • A/D - Computer Software	-1,581.78
1730000 • A/D - Office Equipment	-236,533.48
1740000 • A/D - Furniture & Fixtures	-28,577.09
1750000 • A/D - Leasehold Improvements	-32,970.08
Total Fixed Assets	1,960,898.50
Other Assets	
1810000 • Deposits	59,274.00
Total Other Assets	59,274.00
<b>TOTAL ASSETS</b>	<b>3,114,243.94</b>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Accounts Payable	
2010000 • Accounts Payable	1,174,482.76
Total Accounts Payable	1,174,482.76
Other Current Liabilities	
2100000 • Accrued Liabilities	
2110000 • Accrued Salaries	55,180.26
2120000 • Accrued Commissions	15,261.25
2130000 • Accrued Bonuses	4,826.00
2140000 • Accrued Payroll Taxes	8,865.99
2150000 • Accrued Payroll Benefits	1,794.09
2160000 • Accrued Vacation	20,935.13
2190000 • Accrued - Other (Estimates)	293,443.88
Total 2100000 • Accrued Liabilities	400,306.60
2510000 • Capital Leases - Current	357,319.70
2520000 • Deferred Income - Current	1,195,827.24
Total Other Current Liabilities	1,953,453.54
Total Current Liabilities	3,127,936.30

03/22/00

**SNIP, Inc. (Unaudited)**  
**Balance Sheet**  
As of December 31, 1999

	<u>Dec 31, '99</u>
Long Term Liabilities	
2605000 • L/T Debt	1,075,384.34
2810000 • Capital Leases - L/T	585,410.60
2820000 • Deferred Income - L/T	99,983.80
Total Long Term Liabilities	<u>1,760,778.74</u>
Total Liabilities	4,888,715.04
Equity	
3020000 • Capital Stock	1,019,258.00
3030000 • Retained Earnings	-943,863.23
Net Income	<u>-1,849,865.87</u>
Total Equity	<u>-1,774,471.10</u>
TOTAL LIABILITIES & EQUITY	<u><u>3,114,243.94</u></u>

03/30/00

**SNIP, Inc. (Unaudited)**  
**Profit and Loss**  
 January through December 1999

Jan - Dec '99

**Ordinary Income/Expense**

<b>Income</b>	
4000000 · Income	2,919,175.29
4900000 · Refunds (Sales Returns)	
4900101 · XS Refunds - CC	-86,923.45
4900102 · XS Refunds - Cash	-27,496.82
<b>Total 4900000 · Refunds (Sales Returns)</b>	<b>-114,420.27</b>
<b>Total Income</b>	<b>2,804,755.02</b>
<b>Cost of Goods Sold</b>	
5000000 · Cost of Goods Sold-Hardware	1,578.11
5001000 · COGS - XS	
5001100 · XS Supplies	1,499.37
5001200 · XS Welcome Kit	
5001201 · Shipping & Postage	38,228.69
5001202 · CD's & Floppies	22,888.84
5001203 · Internet Books	54,954.05
5001204 · Instruction Sheets	1,309.40
<b>Total 5001200 · XS Welcome Kit</b>	<b>117,380.98</b>
5001300 · XS Leased Equipment	10.81
5001411 · Dial-up Lines MRC	631,098.10
5001412 · Dial-up Lines NRC	30,816.06
5001461 · Domain Name Fees	210.00
5001462 · IP Address Fees	2,700.00
5001501 · XS Fulfillment	3,759.25
5001502 · XS Facilitation	8,160.84
5001503 · XS Customer Maintenance Mgmt	5,208.67
5001504 · XS Technical Support	105,210.98
5001505 · COGS - XS Benefits In	32,844.77
5001506 · COGS - XS Depreciation	241,291.26
<b>Total 5001000 · COGS - XS</b>	<b>1,180,191.09</b>
5002000 · COGS - AS	
5002100 · AS Supplies	8,803.92
5002200 · AS Customer Dedicated-Recurring	102,793.94
5002300 · AS Customer Dedicated Lines-NRC	56,818.60
5002400 · AS Equipment Leases	0.00
5002501 · AS Facilitation	61,985.72
5002504 · AS Technical Support	710.88
5002505 · COGS - AS Benefits In	16,832.27
5002506 · COGS - AS Depreciation	6,884.74
<b>Total 5002000 · COGS - AS</b>	<b>254,830.07</b>
<b>Total COGS</b>	<b>1,436,599.27</b>
<b>Gross Profit</b>	<b>1,368,155.75</b>
<b>Expense</b>	
6000000 · General & Administrative	
6010000 · Merchant Expense	70,664.58
6020000 · Collocation Rent	23,616.26
6030101 · Internet Connectivity MRC	81,730.47
6040101 · Network Loops MRC	281,538.73
6040102 · Network Loops NRC	8,816.73
6041101 · Telephone MRC	50,541.45
6041102 · Telephone NRC	974.50
6042000 · 800 Numbers-Incoming	74,869.01
6050100 · Network Equip/Software (NRC)	5,247.69
6050200 · Network Equipment Leases	0.00
6050300 · Data Oper Equip Software (NRC)	21,827.71
6050400 · Data Operations Equip Leases	3,513.86
6060000 · General & Administrative Payrol	
6061100 · Connection Services (XS)	
6061111 · XS Customer Maintenance Mgmt	46,877.96

03/30/00

**SNIP, Inc. (Unaudited)**  
**Profit and Loss**  
 January through December 1999

	Jan - Dec '99
6061112 • XS Technical Support	105,210.97
6061114 • XS Customer Services	24,692.34
6061115 • XS Support Web Pages	2,201.84
6061116 • XS Policy Enforcement	42.63
6061191 • XS Training/Seminars	1,289.52
Total 6061100 • Connection Services (XS)	180,315.26
6061200 • Access Services (AS)	
6061212 • AS Technical Support	710.87
Total 6061200 • Access Services (AS)	710.87
6061400 • Engineering	
6061401 • Lockheed 161986	18,916.12
Total 6061400 • Engineering	18,916.12
6062100 • Overhead	
6062101 • Finance Management	63,813.44
6062102 • Facilities Management	77,799.65
6062105 • Human Resources	5,888.14
6062107 • Purchasing	7,485.64
6062108 • Shipping and Receiving	2,749.54
6062109 • Business Office Maintenance	14,396.44
6062110 • MIS	29,464.31
6062111 • Accounting	39,229.83
6062112 • Officers	55,566.45
6062200 • Internetworking Operations (IO)	
6062201 • IO Management	28,943.31
6062202 • IO Technical Support	1,056.00
6062203 • IO POP Facilities Maintenance	31,794.54
6062204 • IO Server Maintenance	14,574.42
Total 6062200 • Internetworking Operations (IO)	76,368.27
Total 6062100 • Overhead	372,761.71
6063000 • Payroll Benefit Time Expense	
6063101 • Holiday	16,990.45
6063102 • PB/PI	8,567.76
6063103 • Vacation/PA	30,951.94
6063104 • Bonuses	43,223.83
6063200 • Excused Absence	1,125.36
Total 6063000 • Payroll Benefit Time Expense	100,859.34
6064000 • Payroll Tax Expenses	118,734.55
6065000 • Non-Payroll Benefits	
6065101 • Payroll Expenses (Paychex)	5,058.00
6065102 • Health Insurance	79,172.72
6065103 • Life Insurance	9,585.17
6065104 • Employer 401k Match	8,546.66
Total 6065000 • Non-Payroll Benefits	102,362.55
6066000 • Benefits Out	-175,648.04
Total 6060000 • General & Administrative Payrol	719,012.36
6080000 • Pennsauken Facilities Expenses	
6081100 • Rent	60,144.92
6082100 • Utilities	
6082101 • Electric	31,113.62
6082102 • Water	61.92
6082103 • Oil/Gas	109.84
6082100 • Utilities - Other	-5,370.66
Total 6082100 • Utilities	25,914.72
6083100 • Fit-Out Cost Leases	-52.58
6084100 • Office Expenses	20,074.58
6085100 • Building Maintenance	19,129.55
6086100 • Bill Nicosia	7,934.63

03/30/00

**SNIP, Inc. (Unaudited)**  
**Profit and Loss**  
 January through December 1999

Jan - Dec '99

Total 6080000 • Pennsauken Facilities Expenses	133,145.82
6130000 • Professional Services	
6130001 • Legal Expenses	9,073.36
6130002 • Accounting	19,352.25
6130003 • Other	50.00
Total 6130000 • Professional Services	28,475.61
6210000 • Other Operating Expenses	
6210101 • Automobile	48,776.69
6210102 • Dues & Subscriptions	602.95
6210103 • Books	335.47
6210104 • Seminars & Training	5,170.88
6210105 • Bank charges	7,400.23
6210106 • Insurance	15,144.45
6210107 • Overnight Delivery	2,126.62
6210108 • Travel	17,418.05
6210109 • Meals & Entertainment	1,951.31
6210110 • Misc. Other Expense	33,878.04
6210112 • 1099 Temp Help/Contractor	21,540.36
6210113 • Recruitment Expenses	1,615.12
6210114 • Service Contracts - DO	5,783.32
Total 6210000 • Other Operating Expenses	161,743.49
6211000 • Debt Transaction Fees	103,289.29
Total 6000000 • General & Administrative	1,769,007.56
6500000 • Sales & Marketing	
6510000 • Advertising	
6510101 • Pre-Press Expenses	949.07
6510103 • Newspaper	335,192.12
6510104 • Magazine	14,242.00
6510105 • Directory	32,971.59
6510106 • Radio	143,635.00
6510108 • Billboard	2,611.50
Total 6510000 • Advertising	529,601.28
6520000 • Direct Mail	
6520101 • Postage	1,973.54
6520102 • Mailing	506.66
6520105 • Printing	6,684.86
6520000 • Direct Mail - Other	1,089.36
Total 6520000 • Direct Mail	10,254.42
6530000 • Promotions	
6530101 • Trade Shows	21,048.32
6530102 • Materials	8,440.18
6530103 • Membership Dues	1,282.00
Total 6530000 • Promotions	30,770.50
6540101 • Meals & Entertainment	2,823.33
6540102 • Travel	2,790.77
6550000 • Sales & Marketing Payroll	
6550101 • Sales and Marketing Mngt	46,496.31
6550102 • XS Sales Management	38,737.27
6550103 • XS Sales	109,698.45
6550104 • AS Sales Management	72,302.20
6550105 • AS Sales	21,918.73
6550106 • AS Sales Commission	145,235.30
6550107 • Sales & Market - Benefits In	116,620.99
Total 6550000 • Sales & Marketing Payroll	551,009.25
6560000 • IPartner Sales Commissions	2,632.50
Total 6500000 • Sales & Marketing	1,129,882.05

03/30/00

**SNIP, Inc. (Unaudited)**  
**Profit and Loss**  
January through December 1999

	Jan - Dec '99
Total Expense	2,898,889.61
Net Ordinary Income	-1,530,733.85
Other Income/Expense	
Other Income	
7300000 - Interest Income	4,601.26
7600000 - Other Income	57,600.00
Total Other Income	62,201.26
Other Expense	
7200000 - Interest Expense	145,039.05
7500000 - Depreciation Expense	236,294.22
Total Other Expense	381,333.27
Net Other Income	-319,132.01
Net Income	<u>-1,849,865.87</u>

03/22/00

**SNIP Link, LLC (Development Stage-Unaudited)**  
**Balance Sheet**  
 As of December 31, 1999

	<u>Dec 31, '99</u>
<b>ASSETS</b>	
Current Assets	
Checking/Savings	
1040000 - Comm Oper Acct - 3965001	5,000.00
Total Checking/Savings	<u>5,000.00</u>
Total Current Assets	5,000.00
Fixed Assets	
1600000 - Fixed Assets	
1630000 - Telephony Equipment	1,699,655.12
1650000 - Leasehold Improvements	10,150.00
1730000 - A/D Telephony Equipment	-4,118.41
1740000 - A/D Furniture & Fixtures	0.01
1750000 - A/D Leasehold Improvements	<u>-3,102.00</u>
Total 1600000 - Fixed Assets	<u>1,702,584.72</u>
Total Fixed Assets	1,702,584.72
Other Assets	
1810000 - Deposits	<u>3,850.00</u>
Total Other Assets	<u>3,850.00</u>
<b>TOTAL ASSETS</b>	<u><u>1,711,434.72</u></u>
<b>LIABILITIES &amp; EQUITY</b>	
Liabilities	
Current Liabilities	
Other Current Liabilities	
2530000 - Due to SNIP, Inc.	<u>772,617.16</u>
Total Other Current Liabilities	<u>772,617.16</u>
Total Current Liabilities	772,617.16
Long Term Liabilities	
2605000 - L/T Debt	<u>1,424,787.50</u>
Total Long Term Liabilities	<u>1,424,787.50</u>
Total Liabilities	2,197,404.66
Equity	
3900 - Retained Earnings	-73,158.49
Net Income	-417,811.45
3020000 - Members' Interest	<u>5,000.00</u>
Total Equity	<u>-485,969.94</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><u>1,711,434.72</u></u>



03/22/00

**SNIP Link, LLC (Development Stage-Unaudited)**  
**Profit and Loss**  
January through December 1999

	Jan - Dec '99
Income	0.00
Cost of Goods Sold	
5001000 · COGS - LD/800 Resale NRC	0.00
5002000 · COGS - LD/800 Resale MRC	0.00
Total COGS	0.00
Gross Profit	0.00
Expense	
6001000 · Payroll Expense	46,750.06
6002000 · Professional Fees	50,525.70
6003000 · Rent Expense	58,764.64
6004000 · Miscellaneous	5,448.53
6005000 · Depreciation Expense	17,686.35
6006000 · Telephone Codes	2,050.00
6007000 · Debt Transaction Fees	95,943.17
6008000 · Phone Switch Expenses	605.60
6009000 · SS7 Expenses	21,503.76
6010000 · Lerg Expenses	6,930.00
6040101 · Network Loops - OC12	41,976.76
6041101 · Telephone	3,089.33
6066000 · P/R Benefits - In	9,350.01
6082100 · Utilities	5,370.66
6084100 · Office Expense	1,227.05
6085100 · Building Maint	3,964.47
6210106 · Insurance	3,138.59
7200000 · Interest Expense	28,486.77
7300000 · Recruitment Expense	15,000.00
Total Expense	417,811.45
Net Income	<u><u>-417,811.45</u></u>

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.

FINANCIAL STATEMENTS FOR THE YEARS ENDED

DECEMBER 31, 1998 AND 1997 AND

INDEPENDENT AUDITORS' REPORT

KLARBERG, RAIOLA & ASSOCIATES

Certified Public Accountants

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.

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# KLARBERG, RAIOLA & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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## Report of Independent Auditors'

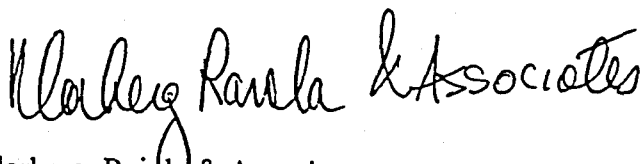
To The Shareholders

Southern New Jersey Internet Providers, Inc.

We have audited the accompanying balance sheets of Southern New Jersey Internet Providers, Inc. as of December 31, 1998 and 1997 and the related statements of income, stockholders' equity (deficiency) and cash flows for the years then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern New Jersey Internet Providers, Inc. at December 31, 1998 and 1997 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.



Klarberg, Raiola & Associates

New York, New York

May 14, 1999

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.  
BALANCE SHEETS  
DECEMBER 31, 1998 AND 1997

ASSETS	1998	1997
Current Assets:		
Cash	\$ 535,476	\$ 75,830
Prepaid Expenses	25,624	15,739
Accounts Receivable	62,047	36,007
Due from Ship Link, LLC	477,104	-
Employee Receivable	3,035	-
Total Current Assets	<u>1,104,286</u>	<u>128,576</u>
Fixed Assets:		
Equipment, Furniture and Fixtures	272,950	269,856
Computer Equipment	511,215	282,812
Less: Accumulated Depreciation	<u>(364,312)</u>	<u>(128,134)</u>
Fixed Assets, Net	419,853	424,534
Deposits	1,079	1,079
<b>TOTAL ASSETS</b>	<u><u>\$ 1,525,218</u></u>	<u><u>\$ 554,189</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>		
Current Liabilities:		
Accounts Payable	\$ 217,174	\$ 89,735
Accrued Liabilities	146,122	192,737
Capital Lease Payable	150,877	126,299
Line of Credit	21,779	-
Deferred Income	742,572	355,695
Total Current Liabilities	<u>1,278,524</u>	<u>763,466</u>
Non Current Liabilities:		
Deferred Salary	-	52,063
Deferred Income	55,116	30,051
Capital Lease Payable	<u>116,183</u>	<u>114,053</u>
Total Non Current Liabilities	171,299	196,167
<b>TOTAL LIABILITIES</b>	<u>1,449,823</u>	<u>959,633</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
Stockholders' Equity (Deficiency):		
Common Stock No Par Value - Authorized 5,000 Shares: Issued and Outstanding 1,072 and 900 shares in 1998 and 1997, respectively	1,019,258	20,060
Accumulated Deficit	<u>(943,863)</u>	<u>(425,504)</u>
Stockholders' Equity (Deficiency)	75,395	(405,444)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIENCY)</b>	<u><u>\$ 1,525,218</u></u>	<u><u>\$ 554,189</u></u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.  
STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
NET REVENUES	\$ 1,621,338	\$ 572,397
OPERATING COSTS AND EXPENSES		
Operating Costs	580,461	149,594
Sales and Marketing	465,904	254,859
General and Administrative Expenses	893,344	579,195
Depreciation	236,178	109,796
TOTAL OPERATING COSTS AND EXPENSES	2,175,887	1,093,444
Operating Loss	(554,549)	(521,047)
Engineering Income	107,453	291,071
Engineering Expenses	(32,394)	(107,088)
Interest Income	4,774	54
Interest Expense	(43,443)	(37,719)
Miscellaneous Income	-	8,499
Net Loss Before Income Taxes	(518,159)	(366,230)
Income Tax Provision	200	200
Net Loss	\$ (518,359)	\$ (366,430)

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.  
STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIENCY)  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Balance, January 1	\$ (405,444)	\$ (59,014)
Net Loss	(518,359)	(366,430)
Distributions to Stockholders	-	-
Capital Contributions	999,198	20,000
Balance, December 31	<u>\$ 75,395</u>	<u>\$ (405,444)</u>

The accompanying notes are an integral part of these financial statements.

SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.  
STATEMENTS OF CASH FLOW  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
Operating Activities:		
Net Loss	\$ (518,359)	\$ (366,430)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation Expense	236,178	109,796
Changes in Operating Assets and Liabilities		
(Increase) Decrease in Other Receivable	(480,139)	-
(Increase) Decrease in Accounts Receivable	(26,040)	(16,709)
(Increase) Decrease in Prepaid Expenses	(10,885)	(15,739)
(Increase) Decrease in Other Assets	-	(1,079)
Increase (Decrease) in Accounts Payable	128,636	53,648
Increase (Decrease) in Accrued Liabilities	(46,813)	54,855
Increase (Decrease) in Deferred Income	411,942	385,746
Increase (Decrease) in Deferred Salary	(52,063)	
Net cash (used in) provided by operating activities	<u>(357,543)</u>	<u>204,088</u>
Investing Activities:		
Purchase of Fixed Assets	(33,591)	(133,677)
Net cash used in investing activities	<u>(33,591)</u>	<u>(133,677)</u>
Financing Activities:		
Equity Contribution of Stockholders	999,198	20,000
Payments on Capital Leases	(171,197)	(68,613)
Net Borrowings Under Line of Credit	21,779	-
Net cash provided by (used in) financing activities	<u>849,780</u>	<u>(48,613)</u>
Net Increase in Cash	<u>458,646</u>	<u>21,798</u>
Cash - Beginning of Year	76,830	55,032
Cash - End of Year	<u>\$ 535,476</u>	<u>\$ 76,830</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
	<u>1998</u>	<u>1997</u>
Interest	\$ 39,798	\$ 37,718
Taxes	\$ 200	\$ -

Supplemental Schedule of Noncash Investing and Financing Activities:

Capital lease obligations entered into for new equipment during 1998 and 1997 were \$197,907 and \$308,964, respectively.

The accompanying notes are an integral part of these financial statements.



SOUTHERN NEW JERSEY INTERNET PROVIDERS, INC.  
NOTES TO FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southern New Jersey Internet Providers, Inc. (the "Company") was organized July 25, 1995 as a New Jersey Corporation. The Company's stockholders elected to be treated as a S Corporation, pursuant to the Internal Revenue Code of 1986 as amended.

Nature of Business

The Company is an Internet Service Provider located in Pennsauken, New Jersey. In addition, the Company derives revenue from providing consulting services to third parties. The income and expenses from providing these services are detailed as engineering income and expenses.

Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. At December 31, 1998 and 1997 cash and cash equivalents are carried at cost, which approximates fair value and consists of cash in the bank.

Fixed Assets

Depreciable fixed assets are stated at cost. Depreciation is computed over estimated useful lives ranging from three to seven years utilizing straight-line method. Depreciation expense charged to operations during 1998 and 1997 was \$236,178 and \$109,796, respectively.

Revenue Recognition

The Company's revenue is derived primarily from providing access to the internet. Since the company is on the accrual basis of accounting, it recognizes income when it is earned and expenses when incurred. Advanced receipts are recorded as deferred income, a liability.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

### Reclassifications

Certain reclassifications were made to the prior year's financial statements to conform to classifications used in the current period.

### Impairment of Long-Lived Assets

Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed based on future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying value of the asset, an impairment loss is recognized. Any impairment loss, if indicated, is measured as the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

### Comprehensive Income

FAS No. 130: "Reporting Comprehensive Income." FAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company adopted FAS 130 effective January 1, 1998. There was no effect of implementing this standard, as comprehensive income is the same as net income.

### Income Taxes

The Company is treated as a S Corporation for federal and state income tax purposes. The Company's earnings and losses are included in the stockholders' income tax returns in relation to their respective ownership interests; accordingly, no provision is required for federal taxes. A \$200 provision has been made for the New Jersey minimum tax for 1998 and 1997.

The Internal Revenue Service recently finished auditing the Company's 1997 and 1996 Tax Returns. There was no impact on the financial position or the results of operations of the Company as a result of the audit

#### Capital Leases

The Company leases certain equipment under capital and operating leases with an original term of up to three years, expiring in 2001. Future minimum lease payments by year and in aggregate under these leases, consisted of the following at December 31, 1998:

	<u>Capital Leases</u>	<u>Operating Leases</u>
1999	\$183,383	\$40,022
2000	107,501	2,218
2001	19,992	1,664
	<hr/>	<hr/>
Total Minimum Lease Payments	310,876	\$ <u>43,904</u>
Less: Amount representing interest	(43,815)	
Present value of minimum lease payments	<u><u>\$267,061</u></u>	

The net book value of equipment under the capital leases at December 31, 1998 and 1997 was \$307,509 and \$258,084, respectively.

Rental expense for operating leases for the years ended December 31, 1998 and 1997 was approximately \$80,319 and \$65,683, respectively.

#### Stockholders' Equity

In August of 1998, the Company's Board of Directors increased the authorized shares available for issuance to 5,000 (without par value).

On October 1, 1998, a new stockholder purchased 172 shares of common stock for \$999,198. This represents an acquisition of 16.04% of the Company's outstanding stock.

## Related Parties

During 1998, the stockholders of the Company created a new entity named SNiP LiNK, LLC. SNiP LiNK, LLC will report financial information separate from that of the Company. The Company cosigned a lease for SNiP LiNK, LLC in 1998. As of December 31, 1998, the Company has a receivable from SNiP LiNK, LLC of \$477,104.

In connection with the formation of SNiP LiNK, LLC, the Company incurred costs that it paid for on behalf of SNiP LiNK, LLC. From time to time and until SNiP LiNK, LLC has begun operations, the Company will continue to make noninterest bearing advances to SNiP LiNK, LLC.

## Recent Pronouncements

There have been recent pronouncements by the FASB and the American Institute of Certified Public Accountants ("AICPA") that may require certain changes in the accounting policies of the Company and which may affect disclosure requirements. These recent pronouncements do not affect the current year's accounting or reporting requirements and are mentioned here for informational purposes only.

SOP 97-2 "Software Revenue Recognition." SOP 97-2 is effective for transactions entered into by the Company in the Company's fiscal year beginning January 1, 1998. In March 1998, the AICPA issued SOP 98-4 which defers certain provisions of SOP 97-2 for one year (until fiscal years beginning after December 15, 1998). Detailed implementation guidelines for the provisions of SOP 97-2 which were deferred have not been issued. The Company's accounting policy on software revenue recognition is generally in compliance with SOP 97-2, as amended by SOP 98-4, and adoption of these SOP's, as currently issued, is not expected to have a material impact on the financial position or results of the operations of the Company.

SOP 98-1 "Accounting for Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 required companies to capitalize qualifying computer software costs which are incurred during the application development stage and amortize them over the software's useful life. SOP 98-1 will be effective for the Company's fiscal year beginning January 1, 1999. The adoption of SOP 98-1 is not expected to have a material impact on the financial position or results of operations of the Company.



**EXHIBIT E**

**CERTIFICATE OF FORMATION**

**FILED**

CERTIFICATE OF FORMATION

OF

JUL 28 1998

SNIP LINK, L.L.C.

James A. DiZientario, Jr.  
State Treasurer

This Certificate of Formation of SNIP LINK, L.L.C. dated this 28th day of July, 1998, is being duly executed and filed by R. W. Worthington, as an authorized person, to form a limited liability company under the New Jersey Limited Liability Company Act.

1. The name of the limited liability company is

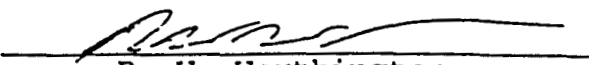
SNIP LINK, L.L.C.

2. The address of the registered office in the State of New Jersey is 311 Fairway Corporate Center, 4300 Haddonfield Road, Pennsauken, NJ 08109 and the name of the initial registered agent at such address is Lee Silverstein, Esquire.

3. The duration of the limited liability company's existence shall be perpetual.

The undersigned represents that this Limited Liability Company has two or more members, and that this filing complies with the requirements detailed in NJSA 42. The undersigned hereby attests that he is authorized to sign this certificate on behalf of the Limited Liability Company.

Dated: July 28, 1998

  
R. W. Worthington  
Authorized person

**EXHIBIT F**

**CERTIFICATE OF QUALIFICATION**



# STATE OF ARIZONA



Office of the  
**CORPORATION COMMISSION**

*To all to whom these presents shall come, greeting:*

*I, Brian C. McNeil, Executive Secretary of the  
Arizona Corporation Commission, do hereby certify that*

**\*\*\*SNIP LINK, L.L.C.\*\*\***

*A Limited Liability Company organized under the laws of  
the jurisdiction of New Jersey, has on this 30th day of  
June, 2000 obtained this Certificate of Registration  
to transact business in the State of Arizona.*

*IN WITNESS WHEREOF, I have hereunto  
set my hand and affixed the official seal  
of the Arizona Corporation Commission.  
Done at Phoenix, the Capitol, this  
5th day of July, 2000, A. D.*



*[Signature]*  
Executive Secretary

BY: *Kayanda Weibel*